

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 20-F

- Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934
or
 Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2005
or
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
or
 Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of event requiring this shell company report

Commission file number 333-12032



MOBILE TELESYSTEMS OJSC

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

RUSSIAN FEDERATION

(Jurisdiction of incorporation or organization)

4 Marksistskaya Street, Moscow 109147 Russian Federation

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class
**AMERICAN DEPOSITARY SHARES,
EACH REPRESENTING 5 SHARES OF COMMON STOCK
COMMON STOCK, PAR VALUE 0.10 RUSSIAN
RUBLES PER SHARE**

Name of Each Exchange on which Registered
**NEW YORK STOCK EXCHANGE
NEW YORK STOCK EXCHANGE(1)**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
1,987,925,652 ordinary shares, par value 0.10 Russian rubles each and 152,710,974 American Depositary Shares, as of December 31, 2005.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(1) Listed, not for trading or quotation purposes, but only in connection with the registration of ADSs pursuant to the requirements of the Securities and Exchange Commission.

TABLE OF CONTENTS

<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	1
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS</u>	2
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
<u>ITEM 3. KEY INFORMATION</u>	2
<u>A. SELECTED FINANCIAL DATA</u>	2
<u>B. CAPITALIZATION AND INDEBTEDNESS</u>	5
<u>C. REASONS FOR THE OFFER AND USE OF PROCEEDS</u>	5
<u>D. RISK FACTORS</u>	5
<u>ITEM 4. INFORMATION ON OUR COMPANY</u>	35
<u>A. HISTORY AND DEVELOPMENT</u>	35
<u>B. BUSINESS OVERVIEW</u>	37
<u>C. ORGANIZATIONAL STRUCTURE</u>	67
<u>D. PROPERTY, PLANT AND EQUIPMENT</u>	68
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	68
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	68
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	123
<u>A. DIRECTORS AND SENIOR MANAGEMENT</u>	123
<u>B. COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT</u>	125
<u>C. BOARD PRACTICES</u>	127
<u>D. EMPLOYEES</u>	129
<u>E. SHARE OWNERSHIP</u>	130
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	130
<u>A. MAJOR SHAREHOLDERS</u>	130
<u>B. RELATED PARTY TRANSACTIONS</u>	131
<u>C. INTERESTS OF EXPERTS AND COUNSEL</u>	134
<u>ITEM 8. FINANCIAL INFORMATION</u>	134
<u>A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>	134
<u>B. SIGNIFICANT CHANGES</u>	135
<u>ITEM 9. OFFER AND LISTING DETAILS</u>	136
<u>ITEM 10. ADDITIONAL INFORMATION</u>	137
<u>A. SHARE CAPITAL</u>	137
<u>B. CHARTER AND CERTAIN REQUIREMENTS OF RUSSIAN LEGISLATION</u>	138
<u>C. MATERIAL CONTRACTS</u>	152
<u>D. EXCHANGE CONTROLS</u>	156
<u>E. TAXATION</u>	158
<u>F. DIVIDENDS AND PAYING AGENTS</u>	163
<u>G. STATEMENT BY EXPERTS</u>	163
<u>H. DOCUMENTS ON DISPLAY</u>	163
<u>I. SUBSIDIARY INFORMATION</u>	163
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	163
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	167
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	168
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	168
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	168
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	168
<u>ITEM 16B. CODE OF ETHICS</u>	168
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	168
<u>ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	169
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	169
<u>ITEM 17. FINANCIAL STATEMENTS</u>	170
<u>ITEM 18. FINANCIAL STATEMENTS</u>	170
<u>ITEM 19. EXHIBITS</u>	170

Unless the context otherwise requires, references to “MTS,” “we,” “us,” or “our” refer to Mobile TeleSystems OJSC and its subsidiaries. “UMC” refers to Ukrainian Mobile Communications, our Ukrainian operations, which we acquired in March 2003. We refer to Mobile TeleSystems LLC, our 49%-owned joint venture in Belarus as MTS-Belarus. As MTS-Belarus is an equity investee, our revenues and subscriber data do not include MTS-Belarus. Our reporting currency is the U.S. dollar and we prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

In this document, references to “U.S. dollars,” “dollars,” “\$” or “USD” are to the lawful currency of the United States, references to “rubles” or “RUR” are to the lawful currency of the Russian Federation, references to “hryvnias” are to the lawful currency of Ukraine and references to “€,” “euro” or “EUR” are to the lawful currency of the member states of the European Union that adopted a single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended by the treaty on the European Union, signed at Maastricht on February 7, 1992.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this document may constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 (the “U.S. Securities Act”) and Section 21E of the U.S. Securities Exchange Act of 1934 (the “U.S. Exchange Act”). The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their businesses. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Mobile TeleSystems OJSC, or MTS, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation and other relevant law. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “forecast,” “project,” “predict,” “plan,” “will,” “may,” “should,” “could” and similar expressions identify forward-looking statements. Forward-looking statements appear in a number of places including, without limitation, “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on Our Company—B. Business Overview” and “Item 5. Operating and Financial Review and Prospects,” and include statements regarding:

- strategies, outlook and growth prospects;
- future plans and potential for future growth;
- liquidity, capital resources and capital expenditures;
- growth in demand for our services;
- economic outlook and industry trends;
- developments of our markets;
- the impact of regulatory initiatives; and
- the strength of our competitors.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. In addition to these important factors and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of profitability, growth, cost and synergy of our recent acquisitions, the timely development and acceptance of new products, the impact of competitive pricing, the ability to obtain necessary regulatory approvals, the condition of the economies of Russia, Ukraine and certain other CIS countries, political stability in Russia, Ukraine and certain other CIS countries, the impact of general business and global economic conditions and other important factors described herein and from time to time in the reports filed by us with the U.S. Securities and Exchange Commission, or the SEC.

Except to the extent required by law, neither we, nor any of our respective agents, employees or advisors intends or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained or incorporated by reference in this document.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The selected consolidated financial data for the years ended December 31, 2003, 2004 and 2005, and as of December 31, 2004 and 2005, are derived from the audited consolidated financial statements, prepared in accordance with U.S. GAAP included elsewhere in this document. In addition, the following table presents selected consolidated financial data for the years ended December 31, 2001 and 2002, and as of December 31, 2001, 2002 and 2003, derived from our audited consolidated financial statements not included in this document. Our results of operations are affected by acquisitions. Results of operations of acquired businesses are included in our audited consolidated financial statements from their respective dates of acquisition. The summary financial data should be read in conjunction with our audited consolidated financial statements, included elsewhere in this document, “D. Risk Factors” and “Item 5. Operating and Financial Review and Prospects.” Certain industry and operating data are also provided below.

	Years Ended December 31,				
	2001	2002	2003	2004	2005
	(Amounts in thousands, except share and per share amounts, industry and operating data and ratios)				
Consolidated statements of operations data:					
Net operating revenues:					
Service revenues and connection fees	\$851,374	\$1,299,141	\$2,465,089	\$3,800,271	\$4,942,288
Sales of handsets and accessories	41,873	62,615	81,109	86,723	68,730
Total net operating revenues	893,247	1,361,756	2,546,198	3,886,994	5,011,018
Operating expenses:					
Cost of services, excluding depreciation and amortization shown separately below	143,665	196,445	301,108	481,097	732,867
Cost of handsets and accessories	39,828	90,227	173,071	218,590	254,606
Sales and marketing expenses	107,729	171,977	326,783	460,983	608,092
Depreciation and amortization expenses	133,318	209,680	415,916	675,729	907,113
Sundry operating expenses ⁽¹⁾	134,598	229,056	406,722	631,532	876,309
Impairment of investment	10,000	—	—	—	—
Net operating income	324,109	464,371	922,598	1,419,063	1,632,031
Currency exchange and transaction losses (gains)	2,264	3,474	(693)	(6,529)	(10,319)

Other income (expenses):					
Interest income	(11,829)	(8,289)	(18,076)	(21,792)	(24,828)
Interest expense, net of capitalized interest	6,944	44,389	106,551	107,956	132,474
Equity in net income of associates	—	—	(2,670)	(24,146)	(42,361)
Other income (expenses), net	(2,672)	(2,454)	6,090	(9,310)	13,211
Total other income (expenses), net	(7,557)	33,646	91,895	52,708	78,496
Income before provision for income taxes and minority interest	329,402	427,251	831,396	1,372,884	1,563,854
Provision for income taxes	98,128	110,417	242,480	354,664	410,590
Minority interest	7,536	39,711	71,677	30,342	26,859
Net income before cumulative effect of a change in accounting principle	223,738	277,123	517,239	987,878	1,126,405
Cumulative effect of a change in accounting principle, net of income taxes of \$9,644 in 2001	(17,909)	—	—	—	—
Net income	\$205,829	\$277,123	\$517,239	\$987,878	\$1,126,405
Dividends declared	\$2,959	—	\$111,355 ⁽²⁾	\$219,918 ⁽²⁾	\$402,692 ⁽²⁾
Pro forma net income giving effect to the change in accounting principle, had it been applied retroactively	223,738	277,123	517,239	987,878	1,126,405
Net income per share, basic and diluted	0.10	0.14	0.26	0.50	0.57
Dividends declared per share	—	—	0.06	0.11	0.20
Weighted average number of shares of common stock outstanding	1,983,359,507	1,983,359,507	1,983,374,949	1,984,497,348	1,986,819,999
Consolidated cash flow data:					
Cash provided by operating activities	\$338,201	\$412,772	\$965,984	\$1,711,589	\$1,797,380
Cash used in investing activities	(441,523)	(697,921)	(1,910,087)	(1,543,201)	(2,452,117)
(of which capital expenditures) ⁽³⁾	(441,200)	(574,272)	(958,771)	(1,358,944)	(2,181,347)
Cash provided by financing activities	247,592	100,817	997,545	10,773	461,528
Consolidated balance sheet data (end of period):					
Cash, cash equivalents and short-term investments	\$304,933	\$64,661	\$335,376	\$347,510	\$106,343
Property, plant and equipment, net	856,056	1,344,633	2,256,076	3,234,318	4,482,679
Total assets	1,727,492	2,283,296	4,225,351	5,581,187	7,545,780
Total debt (long-term and short-term) ⁽⁴⁾	325,840	454,485	1,660,334	1,937,148	2,850,557
Total shareholders' equity	1,018,279	1,302,044	1,723,910	2,523,323	3,294,089
Including capital stock	40,352	40,352	40,361	43,162	45,024
Financial ratios (end of period):					
Total debt/total capitalization ⁽⁵⁾	24.2%	25.9%	49.1%	43.4%	46.4%

Industry and operating data:⁽⁶⁾					
Mobile penetration in Russia (end of period)	6%	12%	25%	51%	87%
Mobile penetration in Ukraine (end of period)	—	—	13%	29%	64%
Subscribers in Russia (end of period, thousands) ⁽⁷⁾	2,650	6,644	13,370	26,540	44,219
Subscribers in Ukraine (end of period, thousands) ⁽⁷⁾	—	—	3,349	7,374	13,327
Overall market share in the Moscow license area (end of period)	50%	43%	43%	45%	45%
Overall market share in Russia (end of period)	33%	38%	37%	36%	35%
Overall market share in Ukraine (end of period)	—	—	51%	53%	44%
Average monthly usage per subscriber in Russia (minutes) ⁽⁸⁾	157	159	144	157	128
Average monthly usage per subscriber in Ukraine (minutes) ⁽⁸⁾	—	—	97	114	117
Average monthly service revenue per subscriber in Russia ⁽⁹⁾	\$36	\$23	\$17	\$12	\$8
Average monthly service revenue per subscriber in Ukraine ⁽⁹⁾	—	—	\$15	\$13	\$10
Subscriber acquisition costs in Russia ⁽¹⁰⁾	\$56	\$35	\$26	\$21	\$19
Subscriber acquisition costs in Ukraine ⁽¹⁰⁾	—	—	\$32	\$19	\$14
Churn in Russia ⁽¹¹⁾	26.8%	33.9%	47.3%	27.5%	20.7%
Churn in Ukraine ⁽¹¹⁾	—	—	23.8%	15.8%	21.8%

(1) “Sundry operating expenses” consist of general and administrative expenses, provision for doubtful accounts and other operating expenses (including charges incurred in connection with the “universal services reserve fund”).

(2) Includes dividends on treasury shares of \$0.4 million, \$1.1 million and \$1.5 million for the years ended December 31, 2003, 2004 and 2005, respectively. In June 2006, our shareholders approved annual cash dividends in the amount of \$561.6 million (including dividends on treasury shares of \$1.5 million) for the year 2005, payable in 2006.

(3) Capital expenditures include purchases of property, plant and equipment and intangible assets.

(4) Includes notes payable, bank loans, capital lease obligations and other debt.

(5) Calculated as book value of total debt divided by the sum of the book values of total shareholders’ equity and total debt at the end of the relevant period. See note 5 above for the definition of “total debt.”

(6) Source: Sotovik, J’Son & Partners, AC&M-Consulting, Ukrainian News and our data. None of this data is derived from our audited consolidated financial statements.

(7) We define a subscriber as an individual or organization whose account shows chargeable activity within 61 days (or 183 days in the case of the “Jeans” and “SIM-SIM” brand tariffs) or whose account does not have a negative balance for more than this period. Prior to October 1, 2004, UMC used a 90-day period for such purposes with respect to its “Jeans” and “SIM-SIM” subscribers.

(8) Average monthly minutes of usage per subscriber is calculated by dividing the total number of minutes of usage during a given period by the average number of our subscribers during the period and dividing by the number of months in that period. For Ukraine, the 2003 figure has been calculated based on the months of March through December 2003.

(9) Average monthly service revenue per subscriber is calculated by dividing our service revenues for a given period, including guest roaming fees, by the average number of our subscribers during that period and dividing by the number of months in that period. For Ukraine, the 2003 figure has been calculated based on the months of March through December 2003.

Subscriber acquisition costs are calculated as total sales and marketing expenses and handset subsidies for a given period divided by the total number of gross subscribers added during that period. For Ukraine, the 2003 figure has been calculated based on the months of March through December 2003.

⁽¹⁾ We define our churn as the total number of subscribers who cease to be a subscriber (as defined above) during the period (whether involuntarily due to non-payment or voluntarily, at such subscriber's request), expressed as a percentage of the average number of our subscribers during that period. For Ukraine, the 2003 figure has been annualized based on the months of March through December 2003. The significant decrease in the 2004 churn rates in Ukraine is largely attributable to the change in our churn policy for "Jeans" and "SIM-SIM" subscribers in Ukraine. See note 7 above. Under the previous churn policy, the 2004 churn rates would have been 23%.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our securities involves a high degree of risk. You should carefully consider the following information about these risks, together with other information contained in this document, before you decide to buy our securities. If any of the following risks actually occur, our business, prospects, financial condition or results of operations could be materially adversely affected. In that case, the value of our securities could also decline and you could lose all or part of your investment.

We have described the risks and uncertainties that our management believes are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those we currently are not aware of or deem immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the value of our securities.

Risks Relating to Business Operations in Emerging Markets

Emerging markets such as the Russian Federation, Ukraine and other CIS countries are subject to greater risks than more developed markets, including significant legal, economic and political risks.

Investors in emerging markets such as the Russian Federation, Ukraine and other CIS countries should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies such as the economies of the Russian Federation and Ukraine are subject to rapid change and that the information set out herein may become outdated relatively quickly. Furthermore, in doing business in various countries of the CIS, we face risks similar to (and sometimes greater than) those that we face in Russia and Ukraine. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisors before making an investment in our securities.

Risks Relating to Our Business

If our purchase of UMC is found to have violated Ukrainian law or the purchase is unwound, our business, financial condition, results of operations and prospects would be materially adversely affected.

On June 7, 2004, the General Prosecutor of Ukraine filed a claim against us and others in the Kiev Commercial Court seeking to unwind the sale by Ukrtelecom of its 51% stake in UMC to us. The complaint also sought an order prohibiting us from alienating 51% of our stake in UMC until the claim was resolved on the merits. The claim was based on a provision of the Ukrainian privatization law that included Ukrtelecom among a list of “strategic” state holdings prohibited from alienating or encumbering its assets during the course of its privatization. While the Cabinet of Ministers of Ukraine in May 2001 issued a decree specifically authorizing the sale by Ukrtelecom of its entire stake in UMC, the General Prosecutor asserted that the decree contradicted the privatization law and that the sale by Ukrtelecom was therefore illegal and should be unwound. On August 12, 2004, the Kiev Commercial Court rejected the General Prosecutor’s claim.

On August 26, 2004, the General Prosecutor requested the Constitutional Court of Ukraine to review whether certain provisions of the Ukrainian privatization law limiting the alienation of assets by privatized companies were applicable to the sale by Ukrtelecom of UMC shares to us. As of the date of this document, the Constitutional Court of Ukraine has not yet responded to the General Prosecutor’s request.

If the Constitutional Court of Ukraine determines that Ukrtelecom’s sale of its stake in UMC contradicted the terms of the Ukrainian privatization law, the General Prosecutor would be able to request the Kiev Commercial Court to reopen the case based on new circumstances and could potentially include additional plaintiffs that were not parties to the original proceeding and/or additional claims.

In addition, as UMC was formed during the time when Ukraine’s legislative framework was developing in an uncertain legal environment, its formation and capital structure may also be subject to challenges. In the event that our purchase of UMC is found to have violated Ukrainian law or the purchase is unwound, in whole or in part, our business, financial condition, results of operations and prospects would be materially adversely affected.

Our controlling shareholder has the ability to take actions that may conflict with the interests of holders of our ADSs.

We are controlled by Sistema, which controls 52.8% of our outstanding shares. If not otherwise required by law, resolutions at a shareholders’ meeting will be adopted by a simple majority in a meeting at which shareholders holding more than half of the issued share capital are present or represented. Accordingly, Sistema has the power to control the outcome of most matters to be decided by vote at a shareholders’ meeting and, as long as it holds, directly or indirectly, the majority of our shares, will control the appointment of a majority of directors and removal of directors. Sistema is also able to control or significantly influence the outcome of any vote on, among other things, any proposed amendment to our charter, reorganization proposal, proposed substantial sale of assets or other major corporate transactions. Thus, Sistema can take actions that may conflict with the interests of other shareholders and holders of our ADSs.

Sistema has outstanding a significant amount of indebtedness, including \$350.0 million of notes maturing in 2008, \$350.0 million of notes maturing in 2011 and \$350.0 million outstanding under a \$600.0 million credit facility agreement Sistema entered into with Vneshtorgbank, maturing in 2010. In addition, the notes maturing in 2011 can be redeemed at the option of the noteholders in 2007. Therefore, Sistema will require significant funds to meet its obligations, which may come in part from dividends paid by its subsidiaries, including us.

Sistema voted in favor of declaring dividends of \$220.0 million in 2004, \$402.6 million in 2005 and \$561.6 million in 2006. The indentures relating to our outstanding notes do not restrict our ability to pay dividends. As a result of paying dividends, our reliance on external sources of financing may increase, and our cash flow and ability to repay our debt obligations, or make capital expenditures, investments and acquisitions could be materially adversely affected.

Sistema also owns an interest in Sky Link CJSC, which operates on a CDMA-2000 standard in a number of key regions, including Moscow and St. Petersburg. Sky Link may pursue business strategies that specifically target high-end businesses and residential customers, which could result in increased competition for us.

In addition, Sistema owns an interest in Comstar UTS, which is a leading provider of integrated communications services in Moscow and the Moscow region. Comstar UTS may pursue technologies that would allow its subscribers to take advantage of the fixed mobile convergence, or FMC, trend, resulting in increased competition for us. An FMC product such as an integrated Wi-Fi/mobile handset would automatically connect to a fixed network when in close proximity and to a mobile network when the subscriber is far from a fixed network (*e.g.*, in transit or outside a building). Given that most mobile calls are made when the subscriber is stationary and/or in close proximity to a fixed network, the opportunity for fixed-line operators to take back revenue that has been lost to mobile providers with an FMC product is significant.

Increased competition and a more diverse subscriber base have resulted in decreasing average monthly service revenues per subscriber, which may materially adversely affect our results of operations.

While our subscriber base and revenues are growing as we continue to grow our operations, our average monthly service revenues per subscriber are decreasing. For example, our average monthly service revenues per subscriber in Russia for 2003, 2004 and 2005 was \$17, \$12 and \$8, respectively. We expect our average monthly service revenues per subscriber to stabilize towards the end of 2006 and thereafter. See “Item 5. Operating and Financial Review and Prospects.” In addition, a recent amendment to the Federal Law on Communications to become effective July 1, 2006, will implement the “calling party pays,” or CPP, principle prohibiting mobile operators from charging their subscribers for incoming calls. Currently, subscribers of fixed line operators can initiate calls to mobile phone users free of charge. Under the new system, fixed line operators will begin charging their subscribers for such calls and transfer a percentage of the charge to mobile operators terminating such calls. The introduction of CPP may have a negative impact on our average monthly service revenues per subscriber and margins depending on the settlement rate between mobile and fixed line operators set by the government. A decrease in our average monthly service revenues per subscriber may materially adversely affect our results of operations.

A continued decline in Ukraine-Russia relations could materially adversely affect our business, financial condition, results of operations and prospects.

The relationship between Ukraine and Russia has been historically strained due, among other things, to Ukraine’s failure to pay arrears relating to the supply of energy resources, Russia’s introduction of a 18% value-added tax, or VAT, on Ukrainian imports and border disputes.

Tensions between Russia and Ukraine were most recently ignited in relation to a dispute over the decision of Russian gas monopoly Gazprom to increase the price of natural gas sold to Ukraine. Although this dispute was settled in January 2006 with the parties’ entry into a new gas transportation contract, the terms of this contract have been subject to severe criticism in both countries and led, among other things, to the Ukrainian parliament’s attempt to dismiss the Ukrainian government in January 2006.

A continued decline in Ukraine-Russia relations and any changes adversely affecting energy supplies from Russia to Ukraine and/or Ukraine’s export of services and goods to Russia could materially adversely

impact the Ukrainian economy, our Ukrainian operations and our financial condition, results of operations and prospects. See “—Risks Relating to the Russian Federation and Ukraine—Political and Social Risks—Recent political turmoil in Ukraine could have a material adverse effect on our operations in Ukraine, and on our business, financial condition and results of operations.”

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we will have to divert significant moneys and resources, including senior management time, from our operating businesses, which could materially adversely affect our business, results of operations and prospects.

Section 404 of the Sarbanes-Oxley Act and the SEC’s and the PCAOB’s regulations thereunder become applicable to us for the fiscal year ending December 31, 2006. These new regulations include a requirement that our management evaluate the effectiveness of our internal control over financial reporting on an annual basis and disclose any material weaknesses in our internal control over financial reporting. Our independent registered public accounting firm will be required to attest management’s assessment. We believe that significant time, effort and expense, including time of senior management, beyond what was already spent will be required to design, maintain and evaluate the internal control system over financial reporting under these new rules. These costs are high for us due to the geographic location of our operations and significant changes we made in our business processes, organization structure and the implementation of a new billing and enterprise resource planning system. For these reasons, the costs involved in achieving Section 404 compliance could have a material adverse effect on our business, financial condition, results of operation and prospects.

We are in the process of transferring to a new billing system, which could have a material adverse effect on our business and results of operations in the short term.

We are in the process of implementing a new billing system, which we expect to complete in December 2006. We expect the new billing system will ultimately increase our overall efficiency and reduce our expenses in the long term. During the transition period, however, we will be required to run both the old and new billing systems simultaneously, creating additional burdens on our technical support staff. We may also experience technical problems with the new billing system during the transition period. These factors may increase our operational risks and expenses and inconvenience subscribers in the short term. The failure or breakdown of key components of our infrastructure in the future, including our billing system and its susceptibility to fraud, could have a material adverse effect on our business and results of operations.

If we cannot successfully develop our network or integrate our acquired businesses, we will be unable to expand our subscriber base and maintain our profitability.

We plan to expand our network infrastructure in the following ways:

- extend coverage and increase the capacity of our existing network in the Moscow and regional license areas;
- further develop our operations in Ukraine, Uzbekistan and Turkmenistan and make investments in MTS Belarus; and
- introduce service in the regions in which we have licenses and have not yet commenced operations.

Our ability to increase our subscriber base depends upon the success of our network expansion. We have expended considerable amounts of resources to enable this expansion. Limited information regarding the markets into which we have or are considering expanding, either through acquisitions or new licenses, complicates accurate forecasts of future revenues from those regions, increasing the risk that we may overestimate these revenues.

In addition, we have expanded our network through acquisitions and we may continue to engage in further acquisitions. We may not be able to integrate previous or future acquisitions successfully or operate them profitably. Such integration requires significant time and effort from our senior management, who are also responsible for managing our existing operations. Such integration may also be difficult as our technical systems may differ from those of the acquired businesses. In addition, unpopular cost cutting measures may be required and control of cash flow may be difficult to establish. Any difficulties encountered in the transition and integration process could have a material adverse effect on our results of operations.

We also may face risks during the course of our expansion into countries outside of the Russian Federation. Differing cultures and more uncertain business operating environments could lead to lower profitability and higher risks to our business. For example, in 2005 we acquired a 51% stake in the company owning indirectly 100% of Bitel LLC (“Bitel”), a mobile operator holding a GSM 900/1800 license for the entire territory of the Kyrgyz Republic. In December 2005, Bitel’s offices were seized by an unidentified group of people, possibly in connection with a Kyrgyz Supreme Court ruling in favor of a third party recognizing their rights to the shares of Bitel. As a result of these events, we currently do not exercise operational control over Bitel and are in the process of defending our ownership stake in the company in the courts of the Kyrgyz Republic, British Virgin Islands and United Kingdom.

The buildout of our network is also subject to risks and uncertainties, which could delay the introduction of service in some areas and increase the cost of network construction, including difficulty in obtaining base station sites on commercially attractive terms. In addition, telecommunications equipment used in Russia, Ukraine and other CIS countries is subject to governmental certification, and periodic renewals of the same. The failure of any equipment we use to receive timely certification or re-certification could also hinder our expansion plans. To the extent we fail to expand our network on a timely basis, we could experience difficulty in expanding our subscriber base.

If we cannot interconnect cost-effectively with other telecommunications operators, we may be unable to provide services at competitive prices and therefore lose market share and revenues.

Our ability to provide commercially viable services depends on our ability to continue to interconnect cost-effectively with fixed line and mobile (local, domestic and international) operators in Russia, Ukraine, and other countries in which we operate. Fees for interconnection are established by agreements with network operators and vary, depending on the network used, the nature of the call and the call destination.

In Russia, the government plans to privatize Svyazinvest, a holding company that controls Rostelecom, and domestic and international long distance operator, and certain regional fixed line operators. In Ukraine, the government plans to privatize Ukrtelecom, which has a market share of over 80% of all fixed line telecommunications services in Ukraine. The timing of these privatizations is not yet known, and it is unclear how these privatizations will affect our interconnection arrangements and costs.

Although Russian legislation requires that operators of public switched telephone networks, or PSTNs, may not refuse to provide interconnections or discriminate against one operator over another, we believe that, in practice, some public network operators attempt to impede wireless operators by delaying interconnection applications, by establishing technical conditions for interconnection feasible only to certain operators. Any difficulties or delays in interconnecting cost-effectively with other networks could hinder our ability to provide services at competitive prices or at all, causing us to lose market share and revenues, which could have a material adverse effect on our business and results of operations.

Governmental regulation of our interconnect rates in Ukraine could adversely affect our results of operations.

Under the Ukrainian Telecommunications Law adopted in November 2003, the National Commission for the Regulation on Communications, or the NCRC, commencing January 1, 2005, has been entitled to regulate the tariffs for public telecommunications services rendered by fixed line operators, whereas the mobile cellular operators (including UMC) are entitled to set their retail tariffs and negotiate interconnect rates with other operators. However, the NCRC would be entitled to regulate the interconnect rates of any mobile cellular operator declared a “dominant market force” by the Antimonopoly Committee of Ukraine, or the AMC. Although UMC currently has over a 35% market share of the wireless communications market in Ukraine, it has not been declared a dominant market force by the AMC. Government regulation of our interconnect rates could limit or decrease our interconnect revenues, which could have a material adverse effect on our results of operations.

In addition, we believe that the state-owned fixed line operator monopolies, Ukrtelecom and UTEL, are currently able to influence telecommunications policy and regulation and may cause substantial increases in interconnect rates for access to fixed line operators’ networks by the mobile cellular operators. Such increases could cause our costs to increase, which could have a material adverse effect on our results of operations. Similarly, Ukrtelecom and UTEL may cause substantial decreases in interconnect rates for access to mobile cellular operators’ networks by the fixed line operators, which could cause our revenues to decrease and materially adversely affect our results of operations.

If frequencies currently assigned to us are reassigned to other users or if we fail to obtain renewals of our frequency allocations, our network capacity will be constrained and our ability to expand limited, resulting in a loss of market share and lower revenues.

There is a limited number of frequencies available for wireless operators in each of the regions in which we operate or hold licenses to operate. We are dependent on access to adequate spectrum allocation in each market in which we operate in order to maintain and expand our subscriber base. While we believe that our current spectrum allocations are sufficient, frequency may not be allocated to us in the future in the quantities, with the geographic span and for time periods that would allow us to provide wireless services on a commercially feasible basis throughout all of our license areas. For example, the availability of frequencies in the GSM 900 MHz band in Ukraine is limited by the fact that the Ukrainian military has a number of frequencies for its exclusive use. While future capacity constraints could be reduced by an increase in the GSM frequencies allocated to us, including additional frequencies in the GSM 1800 MHz band, we may not be awarded some or any of the remaining GSM spectrum. In addition, the Ukrainian government is currently delaying the allocation of new frequencies to wireless communications operators in Ukraine which, in turn, may constrain our network capacity in those areas of Ukraine characterized by high subscriber usage.

A loss of assigned spectrum allocation, which is not replaced by other adequate allocations, could also have a substantial adverse impact on our network capacity. In addition, frequency allocations are often issued for periods that are shorter than the terms of the licenses, and such allocations may not be renewed in a timely manner or at all. If our frequencies are revoked or we are unable to renew our frequency allocations, our network capacity would be constrained and our ability to expand limited, resulting in a loss of market share and lower revenues.

Because we lack a comprehensive back-up system for our network and insurance for our computer systems, a network or computer systems failure could prevent us from operating our business and lead to a loss of subscribers, damage to our reputation and violations of the terms of our licenses and subscriber contracts and penalties.

We are able to deliver services only to the extent that we can protect our network systems against damage from communications failures, computer viruses, power failures, natural disasters and unauthorized access. Any system failure, accident or security breach that causes interruptions in our operations could impair our ability to provide services to our customers and materially adversely affect our business and results of operations. In addition, to the extent that any disruption or security breach results in a loss of or damage to customers' data or applications, or inappropriate disclosure of confidential information, we may incur liability as a result, including costs to remedy the damage caused by these disruptions or security breaches.

We have back-up capacity for our network management, operations and maintenance systems, but automatic transfer to back-up capacity is limited. In the event that the primary network management center was unable to function, significant disruptions to our systems would occur, including our inability to provide services. Disruptions in our services occurred in the Moscow license area on May 30, 2003, in the Kiev license area on August 31, 2004 and September 1-2, 2004, in the Nizhny Novgorod license area on December 10, 2004, 2005, in the Kirov license area on December 21, 2004, in the Ekaterinburg license area on February 21-22, 2005, in the Moscow license area on May 25-27, 2005, in the Saransk license area on September 1, 2005 and October 6, 2005 and in the Orenburg license area on November 15, 2005. See "Item 4. Information on Our Company—B. Business Overview—Regulation in Ukraine—Competition" for a description of the recommendation issued by the AMC to UMC following the Kiev area disruptions. These types of disruptions may recur, which could lead to a loss of subscribers, damage to our reputation, violations of the terms of our licenses and subscriber contracts and penalties.

Our computer and communications hardware is protected through physical and software safeguards. However, it is still vulnerable to fire, storm, flood, loss of power, telecommunications failures, interconnection failures, physical or software break-ins, viruses and similar events. Although we have insured our computer and communications hardware against fires, storms and floods, we do not carry business interruption insurance to protect us in the event of a catastrophe, even though such an event could have a material adverse effect on our business.

Failure to fulfill the terms of our licenses could result in their suspension or termination, which could have a material adverse effect on our business and results of operations.

Each of our licenses requires service to be started by a specific date and most contain further requirements as to network capacity and territorial coverage to be reached by specified dates. If we fail to comply with the requirements of applicable Russian, Ukrainian or other applicable legislation or we fail to meet any terms of our licenses, our licenses and other authorizations necessary for our operations may be suspended or terminated. A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operations.

If we are unable to maintain our favorable brand image, we may be unable to attract new subscribers and retain existing subscribers, leading to loss of market share and revenues.

Our ability to attract new subscribers and retain existing subscribers depends in part on our ability to maintain what we believe to be our favorable brand image. Negative publicity or rumors regarding our company or shareholders and affiliates or our services could negatively affect this brand image, which could lead to loss of market share and revenues.

The failure of our new re-branding efforts launched in 2006 could adversely affect our financial condition and results of operations.

In May 2006, Sistema introduced a universal brand featuring a new logo for each of the telecommunications companies operating within the Sistema Telecom group, including us. We have spent significant time and resources on our re-branding efforts. For example, we are currently circulating new payment cards and have launched a federal advertising campaign with new advertising and informational materials. We introduced a revised website with the new logo and have begun redesigning our sales offices to better serve existing and potential customers. Although we expect our re-branding efforts to increase our recognition among subscribers, promote cross-sales of the companies using the brand and enhance subscriber loyalty, we cannot assure you that our efforts will be successful. The failure of our new-re-branding efforts could adversely affect our financial condition and results of operations.

We may be unable to obtain licenses for third-generation, or UMTS, wireless services on commercially reasonable terms or at all, which would hinder us from competing effectively with operators who are able to provide these services and limit our ability to expand our services.

During the past few years, the Ministry of Information Technologies and Communications has stated its intention to announce the procedures for the award of licenses for UMTS wireless services. To date, however, no procedures have been announced. Depending upon the procedures adopted, we may be unable to obtain UMTS licenses on commercially reasonable terms or at all. Failure to obtain UMTS licenses for the Moscow and other license areas or Ukraine would hinder us from competing effectively with operators who are able to provide these services and limit our ability to expand our services, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we employ technology based primarily on the Global System for Mobile Communications, or GSM, standard. The UMTS standard is significantly superior to existing second-generation standards such as GSM. The adoption of UMTS may consequently increase the competition we face. The technology we currently use may become obsolete or uncompetitive and, if we are not able to develop a strategy compatible with this or any other new technology, we may not be able to acquire new technologies necessary to compete on reasonable terms. In addition, expenditures in connection with new technology may adversely affect our ability to expand in other areas.

Licenses for the use of code division multiple access, or CDMA, technology have already been granted for the provision of fixed wireless services in a number of regions throughout Russia. CDMA is a second-generation digital cellular telephony technology that can be used for the provision of both wireless and fixed services. Although CDMA technology is currently classified in Russia as a fixed radio-telephone service, it may be used for wireless communications, and it may be offered for use via portable handsets. Currently, CDMA technology is offered by certain mobile operators in Russia using the NMT-450 standard. If CDMA operators were able to develop a widespread network throughout Russia, we would face increased competition.

Failure to renew our licenses or receive renewed licenses with similar terms to our existing licenses could have a material adverse effect on our business and results of operations.

Our telecommunications licenses expire in various years from 2006 to 2016 and may be renewed upon application to the relevant governmental authorities. Government officials in Russia and the other CIS countries in which we operate have broad discretion in deciding whether to renew a license, and may not renew licenses after expiration. If licenses are renewed, they may be renewed with additional obligations, including payment obligations.

In addition, the license requirements in our current telecommunications licenses may not comply with the requirements set forth in the new regulations effective from January 1, 2006. Although such non-compliance will not invalidate our licenses, the Federal Service for Supervision in the Area of Communications is requiring communications operators to apply for amendments of all their licenses granted prior to January 1, 2004. We were not able to have all our licenses issued prior to January 1, 2004, amended prior to January 1, 2006.

Failure to renew our telecommunications licenses or receive renewed licenses with similar terms to existing licenses could significantly limit our operations, which could have a material adverse effect on our business and results of operations.

We engage in transactions with related parties, which may present conflicts of interest, potentially resulting in the conclusion of transactions on terms not determined by market forces.

We have purchased interests in various mobile telecommunications companies from Sistema and entered into arrangements with subsidiaries of Sistema for advertising (Maxima and Mediaplanning), interconnection services (MTT), insurance services (Rosno), interconnection and telephone numbering capacity (MGTS, Comstar UTS and MTU-Inform), IT services and hardware purchases (Kvazar-Micro), banking services (MBRD), office leases (MGTS) and the purchase of a new billing system (STROM Telecom). Furthermore, we have entered into a number of equipment lease agreements with Invest-Svyaz Holding, one of our shareholders and a wholly-owned subsidiary of Sistema.

Related party transactions with Sistema and other companies within the Sistema group may present conflicts of interest, potentially resulting in the conclusion of transactions on terms less favorable than could be obtained in arm's-length transactions.

If the Federal Antimonopoly Service was to conclude that we acquired or created a new company in contravention of antimonopoly legislation, it could impose administrative sanctions and require the divestiture of this company or other assets.

Our businesses have grown substantially through the acquisition and formation of companies, many of which required the prior approval of, or subsequent notification to, the Federal Antimonopoly Service or its predecessor agencies. In part, relevant legislation in certain cases restricts the acquisition or formation of companies by groups of companies or individuals acting in concert without such prior approval or notification. While we believe that we have complied with the applicable legislation for our acquisitions and formation of new companies, this legislation is sometimes vague and subject to varying interpretations. If the Federal Antimonopoly Service was to conclude that an acquisition or formation of a new company was done in contravention of applicable legislation, it could impose administrative sanctions and require the divestiture of this company or other assets, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, if we or any of our subsidiaries were to be classified by the Federal Antimonopoly Service (or the AMC with respect to our operations in Ukraine) as a dominant market force or as having a dominant position in the market, the Federal Antimonopoly Service would have the power to impose certain restrictions on their businesses. These restrictions could result in competitive disadvantages, and materially adversely affect the business and results of operations of these entities. See “—Risks Relating to Our Business—If we are found to have a dominant position in our markets, the government may regulate our tariffs and restrict our operations.”

In the event that our minority shareholders or minority shareholders of our subsidiaries were to challenge successfully past or future interested party transactions, or do not approve interested party transactions or other matters in the future, the invalidation of such transactions or failure to approve such matters could have a material adverse effect on our business, financial condition, results of operations and prospects.

We own less than 100% of the equity interests in some of our subsidiaries. In addition, certain of our wholly-owned subsidiaries have had other shareholders in the past. We and our subsidiaries in the past have carried out, and continue to carry out, transactions with us and others which may be considered to be “interested party transactions” under Russian law, requiring approval by disinterested directors, disinterested independent directors or disinterested shareholders depending on the nature of the transaction and parties involved. The provisions of Russian law defining which transactions must be approved as “interested party transactions” are subject to different interpretations. We cannot assure you that our and our subsidiaries’ applications of these concepts will not be subject to challenge by former and current shareholders. Any such challenges, if successful, could result in the invalidation of transactions, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, Russian law requires a three-quarters majority vote of the holders of voting stock present at a shareholders’ meeting to approve certain transactions and other matters, including, for example, charter amendments, major transactions involving assets in excess of 50% of the assets of the company, repurchase by the company of shares and certain share issuances. In some cases, minority shareholders may not approve interested party transactions requiring their approval or other matters requiring approval of minority shareholders or supermajority approval. In the event that these minority shareholders were to challenge successfully past interested party transactions, or do not approve interested party transactions or other matters in the future, we could be limited in our operational flexibility and our business, financial condition, results of operations and prospects could be materially adversely affected.

All or part of our subscriber database, containing private information relating to our subscribers, was illegally copied and stolen in early 2003 and is currently publicly sold in Russia.

In January 2003, we discovered that part of our database of subscribers, containing private subscriber information, was illegally copied and stolen. The database contained information such as the names, addresses, home phone numbers, passport details and other personal information of approximately five million of our subscribers. Following its theft, this database was available for sale in Russia. In addition, in May 2003, certain subscriber databases of several operators in the North-West region, including those of MTS, MegaFon, Delta Telecom and two other operators, were stolen and are currently being sold.

In December 2003, we completed our internal investigation relating to the theft of our subscriber databases and found that these incidents were due to weaknesses in our internal security in relation to physical access to such information. We have taken measures that we believe will prevent such incidents from occurring in the future, but such incidents may nonetheless recur.

In January 2003, lawsuits were filed by two of our subscribers seeking compensation for damages resulting from the leak of the subscribers’ confidential information. While the subscribers subsequently withdrew their claims, if similar lawsuits are successful in the future, we might have to pay significant damages, including consequential damages, which could have a material adverse effect on our results of operations. Future breaches of security may also negatively impact our reputation and our brand image and lead to a loss of market share, which could materially adversely affect our business, financial condition, results of operations and prospects.

We face increasing competition that may result in reduced operating margins and loss of market share, as well as different pricing, service or marketing policies.

The Russian wireless telecommunications services market is highly competitive. The trend in Russian government licensing policies has been to increase competition among wireless telecommunications service providers. Russian regulatory authorities have moved from granting exclusive licenses for each technology standard per region to granting multiple licenses covering the same territory. Increased competition, including from the potential introduction of new mobile operators in the markets where we operate, may result in reduced operating margins and loss of market share, as well as different pricing, service or marketing policies.

A merger between our largest competitors would result in a competitor substantially larger than us with leading market shares in the Russian and/or Ukrainian mobile communications markets.

In August 2003, Russian financial industrial conglomerate Alfa Group, which owns a 25.1% stake in Vimpelcom, announced its purchase of CT-Mobile, which owns a 25.1% stake in MegaFon. This acquisition gives Alfa Group a 25.1% blocking stake in MegaFon and the press reported that Alfa Group might seek to merge Vimpelcom and MegaFon, Russia's second and third largest wireless communications providers and our two largest competitors. In 2006, the press reported that Vimpelcom's shareholders, Alfa Group and Telenor, announced that they are considering the merger of Vimpelcom and Kyivstar, the leading mobile operator in Ukraine. According to the reports, Vimpelcom made a proposal to Kyivstar's shareholders to acquire their shares, but subsequently withdrew the offer in June 2006. Though it is unclear whether such mergers might occur, in the event that they do, they would result in a competitor substantially larger than us with leading market shares in the Russian and/or Ukrainian wireless communications markets.

If we are found to have a dominant position in our markets, the government may regulate our tariffs and restrict our operations.

Under Russian legislation, the Federal Antimonopoly Service may categorize a company as a dominant force in a market. Current Russian legislation does not clearly define "market" in terms of the types of services or the geographic area. As of December 31, 2005, MTS OJSC is categorized as a company with a market share exceeding 35% in Moscow and the Moscow region. This classification, in turn, gives the Federal Antimonopoly Service the power to impose certain restrictions on the businesses of those entities.

Additionally, UMC, which has over a 40% market share of the Ukrainian wireless communications market, can be categorized as a company with a dominant position in the market and become subject to specific government-imposed restrictions. While UMC is currently not categorized as a company with a dominant position in the market, it reduced certain of its tariffs at the recommendation of the Antimonopoly Committee of Ukraine, or the AMC, in April 2004. See "Item 4. Information on Our Company—B. Business Overview—Regulation in Ukraine—Competition" for additional information.

If we or any of our subsidiaries were classified as a dominant market force or as having a dominant position in the market, the imposition of government-determined tariffs could result in competitive disadvantages, and our business and results of operations could be materially adversely affected. Our refusal to adjust our tariffs according to such government-determined rates could result in the withholding of all our revenues by Russian authorities. Additionally, restrictions on expansion or government-mandated withdrawal from regions or markets could reduce our subscriber base and prevent us from implementing our business strategy. Moreover, we could be required to make additional license applications at an additional unexpected cost.

Alleged medical risks of cellular technology may subject us to negative publicity or litigation, decrease our access to base station sites, diminish subscriber usage and hinder access to additional financing.

Electromagnetic emissions from transmitter masts and mobile handsets may harm the health of individuals exposed for long periods of time to these emissions. The actual or perceived health risks of transmitter masts and mobile handsets could materially adversely affect us by reducing subscriber growth, reducing usage per subscriber, increasing the number of product liability lawsuits, increasing the difficulty in obtaining or maintaining sites for base stations and/or reducing the financing available to the wireless communications industry.

Risks Relating to Our Financial Condition

Servicing and refinancing our indebtedness will require a significant amount of cash. Our ability to generate cash or obtain financing depends on many factors beyond our control.

We have a substantial amount of outstanding indebtedness, primarily consisting of the obligations we entered into in connection with our notes and bank loans. At December 31, 2005, our consolidated total debt, including capital lease obligations, was approximately \$2,850.6 million, and we have signed several agreements for additional financing for an aggregate amount of approximately \$1,430.0 million since December 31, 2005. Our interest expense was approximately \$132.5 million, net of amounts capitalized as of December 31, 2005.

Our ability to service, repay and refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, we may default under the terms of our indebtedness, and the holders of our indebtedness would be able to accelerate the maturity of such indebtedness, potentially causing cross-defaults under and acceleration of our other indebtedness.

We may not be able to generate sufficient cash flow or access international capital markets or incur additional indebtedness to enable us to service or repay our indebtedness or to fund our other liquidity needs. We may be required to refinance all or a portion of our indebtedness on or before maturity, sell assets, reduce or delay capital expenditures or seek additional capital. Refinancing or additional financing may not be available on commercially reasonable terms or at all, and we may not be able to sell our assets, or if sold, the proceeds therefrom may not be sufficient to meet our debt service obligations. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance debt on commercially reasonable terms, would materially adversely affect our business, financial condition, results of operations and prospects. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources."

If we are unable to obtain adequate capital, we may have to limit our operations substantially, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We will need to make significant capital expenditures, particularly in connection with the development, construction and maintenance of, and the purchasing of software for, our GSM network. We spent approximately \$958.8 million in 2003, approximately \$1,358.9 million in 2004 and approximately \$2,181.3 million in 2005 for the fulfillment of our capital spending plans. In addition, the acquisition of UMTS licenses and frequency allocations and the buildout of a UMTS network will require additional capital expenditures. However, future financings and cash flow from our operations may not be sufficient to meet our planned needs in the event of various unanticipated potential developments, including the following:

- a lack of external financing sources;

- changes in the terms of existing financing arrangements;
- construction of the wireless networks at a faster rate or higher capital cost than anticipated;
- pursuit of new business opportunities or investing in existing businesses that require significant investment;
- acquisitions or development of any additional wireless licenses;
- slower than anticipated subscriber growth;
- slower than anticipated revenue growth;
- regulatory developments;
- changes in existing interconnect arrangements; or
- a deterioration in the Russian economy.

Also, currently we are not able to raise equity financing through depositary receipts such as ADRs due to Russian securities regulations providing that no more than 35% (which, prior to December 31, 2005, and at the time of our initial public offering, was 40%) of a Russian company's shares may be circulated abroad through sponsored depositary receipt programs. If we cannot obtain adequate funds to satisfy our capital requirements, we may need to limit our operations significantly, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in the exchange rate of the ruble against the U.S. dollar could adversely impact our revenues and costs.

A significant portion of our costs, expenditures and liabilities, including capital expenditures and borrowings (including our U.S. dollar-denominated notes), are either denominated in, or closely linked to, the U.S. dollar, while substantially all of our revenues are denominated in rubles. As a result, the devaluation of the ruble against the U.S. dollar can adversely affect us by increasing our costs in ruble terms. Although the ruble has not declined against the U.S. dollar in the years presented in the consolidated financial statements included elsewhere in this annual report, we nonetheless link our tariffs in most parts of Russia, which are payable in rubles, to the U.S. dollar in order to hedge against this risk. The effectiveness of this hedge is limited, however, as we may not be able to increase prices in line with ruble devaluation against the U.S. dollar due to competitive pressures or regulatory restrictions, leading to a loss of revenue in U.S. dollar terms. We do not engage in any other currency hedging arrangements. Additionally, if the ruble declines against the U.S. dollar and price increases cannot keep pace, we could have difficulty repaying or refinancing our U.S. dollar-denominated indebtedness, including our notes. The devaluation of the ruble also results in losses in the value of ruble-denominated assets, such as ruble deposits.

The decline in the value of the ruble against the U.S. dollar also reduces the U.S. dollar value of tax savings arising from the depreciation of our property, plant and equipment, since their basis for tax purposes is denominated in rubles at the time of the investment. Increased tax liability would increase total expenses. Furthermore, the increase in the value of the ruble against the U.S. dollar could result in a net foreign exchange loss due to an increase in the costs associated with our ruble-denominated liabilities and, as a result, our net income could decrease.

Inflation could increase our costs and adversely affect our results of operations.

The Russian economy has been characterized by high rates of inflation. In both 2004 and 2005, the inflation rate, combined with the nominal appreciation of the ruble, resulted in the appreciation of the ruble against the U.S. dollar in real terms. As we tend to experience inflation-driven increases in certain of

our costs, including salaries and rents, which are sensitive to rises in the general price level in Russia, our costs in U.S. dollar terms will rise. In this situation, due to competitive pressures, we may not be able to raise the prices we charge for our products and services sufficiently to preserve operating margins. Accordingly, high rates of inflation in Russia could increase our costs and decrease our operating margins.

Russian currency control regulations hinder our ability to conduct our business.

The Central Bank of Russia has from time to time imposed various currency control regulations, and may take further actions in the future. Furthermore, the government and the Central Bank of Russia may impose additional requirements on cash inflows and outflows into and out of Russia or on the use of foreign currency in Russia, which could prevent us from carrying on necessary business transactions, or from successfully implementing our business strategy.

The existing framework law on exchange controls took effect on June 18, 2004. This law empowers the government and the Central Bank of Russia to further regulate and restrict currency control matters, including operations involving foreign securities and foreign currency borrowings by Russian companies. The law also abolished the need for companies to obtain transaction-specific licenses from the Central Bank of Russia, envisaging instead the implementation of generally applicable restrictions on currency operations. This regulatory regime continues to be restrictive.

Restrictions on investments outside Russia or in hard-currency-denominated instruments in Russia expose our cash holdings to devaluation.

Currency regulations established by the Central Bank of Russia restrict investments by Russian companies outside Russia and in most hard-currency-denominated instruments in Russia, and there are only a limited number of ruble-denominated instruments in which we may invest our excess cash. Any balances maintained in rubles will give rise to losses if the ruble devalues against the U.S. dollar.

Additionally, Russian companies must repatriate 100% of offshore foreign currency earnings to Russia. In 2005, Russian companies were required to convert 10% of those earnings into rubles within seven days of receipt. While this conversion requirement was abolished in April 2006, Russian legislation allows the Central Bank of Russia to reinstate the conversion requirement in any amount up to 30%. We earned approximately \$112.0 million, \$93.3 million and \$99.4 million in foreign currency in 2003, 2004 and 2005, respectively, primarily from our roaming agreements. This requirement further increases balances in our ruble-denominated accounts and, consequently, our exposure to devaluation risk.

Continued or increased limitations on the conversion of rubles to foreign currency in Russia could increase our costs when making payments in foreign currency to suppliers and creditors and could cause us to default on our obligations to them.

Many of our major capital expenditures are denominated and payable in various foreign currencies, including the U.S. dollar and euro. For example, as of December 31, 2005, we had \$388.2 million committed under non-binding contracts with foreign suppliers for the purchase of network infrastructure that were primarily denominated in U.S. dollars. Russian legislation currently permits the conversion of rubles into foreign currency. However, the market in Russia for the conversion of rubles into foreign currencies is limited and may not continue to exist.

Additionally, any delay or other difficulty in converting rubles into a foreign currency to make a payment or delay in or restriction on the transfer of foreign currency could limit our ability to meet our payment and debt obligations, which could result in the loss of suppliers, acceleration of debt obligations and cross-defaults and, consequently, have a material adverse effect on our business, financial condition and results of operations.

Indentures relating to our notes and our controlling shareholder Sistema's notes contain, and some of our loan agreements contain, restrictive covenants, which limit our ability to incur debt and to engage in various activities.

The indentures relating to our outstanding notes contain covenants limiting our ability to incur debt, create liens on our properties and enter into sale and lease-back transactions. The indentures also contain covenants limiting our ability to merge or consolidate with another person or convey our properties and assets to another person, as well as our ability to sell or transfer any of our or our subsidiaries' GSM licenses for the Moscow, St. Petersburg, Krasnodar and Ukraine license areas. Some of our loan agreements contain similar and other covenants. Failure to comply with these covenants could cause a default and result in the debt becoming immediately due and payable, which would materially adversely affect our business, financial condition and results of operations.

In addition, Sistema, which controls 52.8% of our outstanding shares and consolidates our results in its financial statements, is subject to various covenants in the indentures related to its \$350.0 million in aggregate principal amount of notes due 2008 and \$350.0 million in aggregate principal amount of notes due 2011, which impose restrictions on Sistema and its restricted subsidiaries (including us) with respect to, *inter alia*, incurrence of indebtedness, creation of liens and disposal of assets. In these indentures, Sistema undertakes that it will not, and will not permit its restricted subsidiaries (including us) to, incur indebtedness unless a certain debt/EBITDA (as defined therein) ratio is met. In addition to us, Sistema has other businesses that require capital and, therefore, the consolidated Sistema group's capacity to incur indebtedness otherwise available to us could be diverted to its other businesses. Sistema may also enter into other agreements in the future that may further restrict it and its restricted subsidiaries (including us) from engaging in these and other activities. We expect Sistema to exercise its control over us in order for Sistema, as a consolidated group, to meet its covenants, which could materially limit our ability to obtain additional financing required for the implementation of our business strategy.

If a change in control occurs, our noteholders and other debt holders may require us to redeem notes or other debt, which could have a material adverse effect on our financial condition and results of operations.

Under the terms of our outstanding notes, if a change in control occurs, our noteholders will have the right to require us to redeem notes not previously called for redemption. The price we will be required to pay upon such event will be 101% of the principal amount of the notes, plus accrued interest to the redemption date. A change in control will be deemed to have occurred in any of the following circumstances:

- Any person acquires beneficial ownership of 50% or more of the total voting power of all shares of our common stock; provided that the following transactions would not be deemed to result in a change in control:
 - any acquisition by Sistema or its subsidiaries that results in the 50% threshold being exceeded; and
 - any acquisition by us, our subsidiary or our employee benefit plan.
- We merge or consolidate with or into, or convey, sell, lease or otherwise dispose of all or substantially all of our assets to, another entity or another entity merges into us and, immediately following such transaction, Sistema and T-Mobile together do not beneficially own at least 50% of the total voting power of all shares of common stock of such entity.
- We no longer beneficially own more than 50% of the issuer's share capital.

If a change in control occurs, and our noteholders and other debt holders exercise their right to require us to redeem all of their notes or debt, such event could have a material adverse effect on our financial condition and results of operations.

Risks Relating to the Russian Federation and Ukraine

Economic Risks

Economic instability in Russia and Ukraine could adversely affect our business.

Since the dissolution of the Soviet Union in 1991, the Russian and Ukrainian economies have experienced at various times:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high government debt relative to gross domestic product;
- a weak banking system providing limited liquidity to domestic enterprises;
- high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth in a black and grey market economy;
- pervasive capital flight;
- high levels of corruption and the penetration of organized crime into the economy;
- significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of the population.

Although Russia and Ukraine have benefited recently from the increase in global commodity prices, providing an increase in disposable income and an increase in consumer spending, the economies of these countries have been subject to abrupt downturns in the past. In particular, on August 17, 1998, in the face of a rapidly deteriorating economic situation, the Russian government defaulted on its ruble-denominated securities, the Central Bank of Russia stopped its support of the ruble and a temporary moratorium was imposed on certain foreign currency payments. These actions resulted in an immediate and severe devaluation of the ruble and a sharp increase in the rate of inflation; a substantial decline in the prices of Russian debt and equity securities; and an inability of Russian issuers to raise funds in the international capital markets. Certain other CIS countries, including Ukraine and Belarus, were similarly affected by these events. These problems were aggravated by a major banking crisis in the Russian banking sector after the events of August 17, 1998, as evidenced by the termination of the banking licenses of a number of major Russian banks. This further impaired the ability of the banking sector to act as a consistent source of liquidity to Russian companies and resulted in the losses of bank deposits in some cases.

Recently, the Russian and Ukrainian economies have experienced positive trends, such as the increase in the gross domestic product, relatively stable national currencies, strong domestic demand, rising real wages and a reduced rate of inflation; however, these trends may not continue or may be abruptly reversed.

The Russian banking system remains underdeveloped, and another banking crisis could place severe liquidity constraints on our business.

Russia's banking and other financial systems are less developed or regulated in comparison with other countries, and Russian legislation relating to banks and bank accounts is subject to varying interpretations

and inconsistent application. The August 1998 financial crisis resulted in the bankruptcy and liquidation of many Russian banks and almost entirely eliminated the developing market for commercial bank loans at that time. Many Russian banks currently do not meet international banking standards, and the transparency of the Russian banking sector in some respects still lags far behind internationally accepted norms. Aided by inadequate supervision by the regulators, certain banks do not follow existing Central Bank of Russia regulations with respect to lending criteria, credit quality, loan loss reserves or diversification of exposure. Furthermore, in Russia, bank deposits made by corporate entities generally are not insured.

Recently, there has been a rapid increase in lending by Russian banks, which many believe has been accompanied by a deterioration in the credit quality of the borrowers. In addition, a robust domestic corporate debt market is leading to Russian banks increasingly holding large amounts of Russian corporate ruble bonds in their portfolios, which is further deteriorating the risk profile of Russian bank assets. The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to market downturns or economic slowdowns, including due to Russian corporate defaults that may occur during any such market downturn or economic slowdown. In addition, the Central Bank of Russia has from time to time revoked the licenses of certain Russian banks, which resulted in market rumors about additional bank closures and many depositors withdrawing their savings. If a banking crisis were to occur, Russian companies would be subject to severe liquidity constraints due to the limited supply of domestic savings and the withdrawal of foreign funding sources that would occur during such a crisis.

There is currently a limited number of sufficiently creditworthy Russian banks. We hold the bulk of our excess ruble and foreign currency cash in Russian banks, including subsidiaries of foreign banks, in part, because we are required to do so by Central Bank of Russia regulations and because the ruble is not transferable or convertible outside of Russia. There are few, if any, safe ruble denominated instruments in which we may invest our excess ruble cash. Another banking crisis or the bankruptcy or insolvency of the banks from which we receive or with which we hold our funds could result in the loss of our deposits or affect our ability to complete banking transactions in Russia, which could have a material adverse effect on our business, financial condition and results of operations.

The infrastructure in Russia and Ukraine is inadequate, which could disrupt normal business activity.

The physical infrastructure in Russia and Ukraine largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Particularly affected are the rail and road networks, power generation and transmission systems; communication systems and building stock. In May 2005, a fire and explosion in one of the Moscow power substations built in 1963 caused a major power outage in a large section of Moscow and some surrounding regions. The blackout disrupted ground electric transport, including the metro system, led to road traffic accidents and massive traffic congestion, disrupted electricity and water supply in office and residential buildings and affected mobile communications. The trading on exchanges and the operation of many banks, stores and markets were also halted. Road conditions throughout Russia and Ukraine are poor, with many roads not meeting minimum quality requirements. The Russian and Ukrainian governments are actively considering plans to reorganize the nations' rail, electricity and communications systems. Any such reorganization may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems.

The deterioration of physical infrastructure in Russia and Ukraine harms the national economies, disrupts the transportation of goods and supplies, adds costs to doing business in these countries and can interrupt business operations. These difficulties can impact us directly; for example, we have needed to keep portable electrical generators available to help us maintain base station operations in the event of

power failures. Further deterioration in the physical infrastructure could have a material adverse effect on our business and the value of our securities.

Fluctuations in the global economy may materially adversely affect the Russian and Ukrainian economies and our business.

The Russian and Ukrainian economies are vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and Ukraine and Russian and Ukrainian businesses could face severe liquidity constraints, further adversely affecting their economies. Additionally, because Russia produces and exports large amounts of oil, the Russian economy is especially vulnerable to the price of oil on the world market and a decline in the price of oil could slow or disrupt the Russian economy. Recent military conflicts and international terrorist activity have also significantly impacted oil and gas prices, and pose additional risks to the Russian economy. Russia and Ukraine are also major producers and exporters of metal products and their economies are vulnerable to world commodity prices and the imposition of tariffs and/or antidumping measures by the United States, the European Union or by other principal export markets.

Political and Social Risks

Political and governmental instability could materially adversely affect our business, financial condition, results of operations and prospects and the value of our shares and ADSs.

Since 1991, Russia has sought to transform from a one-party state with a centrally-planned economy to a democracy with a market economy. As a result of the sweeping nature of the reforms, and the failure of some of them, the Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatizations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups.

Current and future changes in the government, major policy shifts or lack of consensus between various branches of the government and powerful economic groups could disrupt or reverse economic and regulatory reforms. In addition, the Russian presidential elections scheduled for 2008 could bring more volatility to the market. Any disruption or reversal of reform policies could lead to political or governmental instability or the occurrence of conflicts among powerful economic groups, which could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of our shares and ADSs.

Conflict between central and regional authorities and other conflicts could create an uncertain operating environment, hindering our long-term planning ability.

The Russian Federation is a federation of 88 sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts. The delineation of authority and jurisdiction among the members of the Russian Federation and the federal government is, in many instances, unclear and remains contested. Lack of consensus between the federal government and local or regional authorities often results in the enactment of conflicting legislation at various levels and may lead to further political instability. In particular, conflicting laws have been enacted in the areas of privatization, land legislation and licensing. Some of these laws and governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have in the past been challenged in the courts, and such challenges may occur in the future. This lack of consensus hinders our long-term planning efforts and creates uncertainties in our operating environment, both of which may prevent us from effectively and efficiently implementing our business strategy.

Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict, such as the continuing conflict in Chechnya, which has brought normal economic activity within Chechnya to a halt and disrupted the economies of neighboring regions. Various armed groups in Chechnya have regularly engaged in guerrilla attacks in that area. Violence and attacks relating to this conflict have spread to other parts of Russia, and several terrorist attacks have been carried out by Chechen terrorists in other parts of Russia, including in Moscow. The further intensification of violence, including terrorist attacks and suicide bombings, or its spread to other parts of Russia, could have significant political consequences, including the imposition of a state of emergency in some or all of Russia. Moreover, any terrorist attacks and the resulting heightened security measures are likely to cause disruptions to domestic commerce and exports from Russia. These factors could materially adversely affect our business and the value of our shares and ADSs.

In Ukraine, tensions between certain regional authorities and the central government were ignited following the November 2004 presidential elections. Amid the mass demonstrations and strikes that took place throughout Ukraine to protest the election process and results, the regional authorities in three regions in eastern Ukraine threatened to conduct referendums on creating a separate, autonomous region within Ukraine. Though the regional authorities backed down from these threats, and tensions in Ukraine appear to have subsided following the invalidation of the November election results and the new presidential election held in December 2004, the long-term effects of these events and their effect on relations among Ukrainians is not yet known.

Recent political turmoil in Ukraine could have a material adverse effect on our operations in Ukraine, and on our business, financial condition and results of operations.

The Ukrainian parliament voted to dismiss the Ukrainian government on January 10, 2006, less than four months after the last government was dismissed by the Ukrainian president. The latest vote occurred in the wake of widespread criticism of the government for signing a controversial agreement on gas supplies from Russia earlier in the month and ahead of the Ukrainian parliamentary election in March 2006. After the March 26, 2006 elections, the previous government continues to perform its duties until the appointment of a new government. Failure to appoint a new government within a certain timeframe may result in the dissolution of the newly elected parliament by the President and new parliamentary elections would follow.

Changes to the Ukrainian constitution introduced on January 1, 2006, shifted important powers from the president to parliament, including the right to name the prime minister and form a government. With these new powers, there is a risk that the impasse between the president and parliament will evolve into a protracted political struggle and cause Ukraine's economy to decline.

Any disruption or reversal of political reforms in Ukraine could cause a deterioration in the political, social and economic environment in Ukraine which, in turn, could have a material adverse effect on our operations in Ukraine, and on our business, financial condition and results of operations. See also “—Risks Relating to Our Business—A continued decline in Ukraine-Russia relations could materially adversely affect our business, financial condition, results of operations and prospects.”

Crime and corruption could disrupt our ability to conduct our business.

The political and economic changes in Russia and Ukraine in recent years have resulted in significant dislocations of authority. The local and international press have reported that significant organized criminal activity has arisen, particularly in large metropolitan centers. Property crime in large cities has increased substantially. In addition, the local and international press have reported high levels of official corruption, including the bribing of officials for the purpose of initiating investigations by government agencies. Press reports have also described instances in which government officials engaged in selective

investigations and prosecutions to further the commercial interests of certain government officials or individuals. Additionally, some members of the Russian and Ukrainian media regularly publish disparaging articles in return for payment. The depreations of organized or other crime, demands of corrupt officials or claims that we have been involved in official corruption could result in negative publicity, could disrupt our ability to conduct our business and could thus materially adversely affect our business, financial condition, results of operations and prospects.

Social instability could increase support for renewed centralized authority, nationalism or violence.

The failure of the government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labor and social unrest. Labor and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralized authority; increased nationalism, with restrictions on foreign involvement in the economies of Russia and Ukraine; and increased violence. An occurrence of any of the foregoing events could restrict our operations and lead to the loss of revenue, materially adversely affecting our business, financial condition, results of operations and prospects.

Legal Risks

Weaknesses relating to the legal system and legislation in Russia and Ukraine create an uncertain environment for investment and business activity.

Each of Russia and Ukraine is still developing the legal framework required to support a market economy. The following risk factors relating to the Russian and Ukrainian legal systems create uncertainty with respect to the legal and business decisions that we make, many of which uncertainties do not exist in countries with more developed market economies:

- inconsistencies between and among the Constitution, federal and regional laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- conflicting local, regional and federal rules and regulations;
- the lack of judicial and administrative guidance on interpreting legislation;
- the relative inexperience of judges and courts in interpreting legislation;
- the lack of an independent judiciary;
- a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions such as suspension or termination of our licenses; and
- poorly developed bankruptcy procedures that are subject to abuse.

Furthermore, several fundamental laws have only recently become effective. The recent nature of much of Russian and Ukrainian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Russian and Ukrainian legal systems in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt and results in ambiguities, inconsistencies and anomalies. In addition, Russian and Ukrainian legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect our ability to enforce our rights under our licenses and under our contracts, or to defend ourselves against claims by others. We cannot assure you that regulators, judicial authorities or third parties will not challenge our internal procedures and by-laws or our compliance with applicable laws, decrees and regulations.

The judiciary's lack of independence and overall inexperience, the difficulty of enforcing court decisions and governmental discretion in enforcing claims could prevent us or you from obtaining effective redress in a court proceeding.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in each of Russia and Ukraine remain largely untested. The court system in each of Russia and Ukraine is understaffed and underfunded. Judges and courts are generally inexperienced in the area of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all Russian and Ukrainian legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. The Russian and Ukrainian judicial systems can be slow or unjustifiably swift. Enforcement of court orders can, in practice, be very difficult in Russia and Ukraine. All of these factors make judicial decisions in Russia and Ukraine difficult to predict and effective redress uncertain. Additionally, court claims are often used in furtherance of political aims or infighting. We may be subject to such claims and may not be able to receive a fair hearing. Additionally, court orders are not always enforced or followed by law enforcement agencies, and the government may attempt to invalidate court decisions by backdating or retroactively applying relevant legislative changes.

These uncertainties also extend to property rights. During Russia and Ukraine's transformation from centrally planned economies to market economies, legislation has been enacted in both countries to protect private property against expropriation and nationalization. However, it is possible that due to the lack of experience in enforcing these provisions and due to potential political changes, these protections would not be enforced in the event of an attempted expropriation or nationalization. Expropriation or nationalization of any of our entities, their assets or portions thereof, including UMC, potentially without adequate compensation, would have a material adverse effect on our business financial condition, results of operations and prospects.

Selective or arbitrary government action may have a material adverse effect on our business, financial condition, results of operations and prospects.

Governmental authorities in Russia and Ukraine have a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is inconsistent with legislation or influenced by political or commercial considerations. Selective or arbitrary governmental actions have reportedly included the denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used ordinary defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations or to void transactions. Moreover, the government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Standard & Poor's has expressed concerns that "Russian companies and their investors can be subjected to government pressure through selective implementation of regulations and legislation that is either politically motivated or triggered by competing business groups." In this environment, our competitors may receive preferential treatment from the government, potentially giving them a competitive advantage over us.

In addition, recently, the Russian tax authorities have aggressively brought tax evasion claims relating to certain Russian companies' use of tax-optimization schemes, and press reports have speculated that these enforcement actions have been selective and politically motivated. Selective or arbitrary government action, if directed at us, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to comply with existing laws and regulations or to obtain all approvals, authorizations and permits required to operate telecommunications equipment, or the findings of government inspections or increased governmental regulation of our operations, could result in a disruption of our business and substantial additional compliance costs and sanctions.

Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, approvals, authorizations and permits, as well as with ongoing compliance with existing laws, regulations and standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses, approvals, authorizations and permits and in monitoring licensees' compliance with the terms thereof. Governmental authorities have the right to, and frequently do, conduct periodic inspections of our operations and properties throughout the year. Any such future inspections may conclude that we or our subsidiaries have violated laws, decrees or regulations, and we may be unable to refute such conclusions or remedy the violations. See also "—The regulatory environment for telecommunications in Russia and Ukraine is uncertain and subject to political influence or manipulation, which may result in negative and arbitrary regulatory and other decisions against us on the basis of other than legal considerations and in preferential treatment for our competitors."

Due primarily to delays in the issuance of permits, approvals and authorizations by regulatory authorities, frequently it is not possible to procure all of the permits for each of our base stations or other aspects of our network before we put the base stations into commercial operation or to amend or maintain all of the permits when we make changes to the location or technical specifications of our base stations. At times, there can be a significant number of base stations or other communications facilities and other aspects of our networks for which we do not have final permits to operate and there can be delays in obtaining the final permits, approvals and authorizations for particular base stations or other communications facilities and other aspects of our networks.

Our failure to comply with existing laws and regulations or to obtain all approvals, authorizations and permits required to operate telecommunications equipment or the findings of government inspections may also result in the imposition of fines or penalties or more severe sanctions including the suspension, amendment or termination of our licenses, approvals, authorizations and permits, or in requirements that we cease certain of our business activities, or in criminal and administrative penalties applicable to our officers. Moreover, an agreement made or transaction executed in violation of a law may be invalidated and unwound by a court decision. Any such decisions, requirements or sanctions, or any increase in governmental regulation of our operations, could result in a disruption of our business and substantial additional compliance costs and could materially adversely affect our business, financial condition, results of operations and prospects.

Developing corporate and securities laws and regulations in Russia may limit our ability to attract future investment.

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in Russia than in the United States and Western Europe. Securities laws, including those relating to corporate governance, disclosure and reporting requirements, have only recently been adopted, whereas laws relating to anti-fraud safeguards, insider trading restrictions and fiduciary duties are rudimentary. In addition, the Russian securities market is regulated by several different authorities, which are often in competition with each other. These include:

- the Federal Service for the Financial Markets;
- the Ministry of Finance;
- the Federal Antimonopoly Service;

- the Central Bank of Russia; and
- various professional self-regulatory organizations.

The regulations of these various authorities are not always coordinated and may be contradictory.

In addition, Russian corporate and securities rules and regulations can change rapidly, which may materially adversely affect our ability to conduct securities-related transactions. While some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian issuers in other areas result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether or how regulations, decisions and letters issued by the various regulatory authorities apply to our company. As a result, we may be subject to fines or other enforcement measures despite our best efforts at compliance.

Shareholder liability under Russian legislation could cause us to become liable for the obligations of our subsidiaries.

The Civil Code of the Russian Federation dated January 26, 1996, or the Civil Code, and the Federal Law on Joint Stock Companies of December 26, 1995, or the Joint Stock Companies Law, generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and bear only the risk of loss of their investment. This may not be the case, however, when one entity is capable of determining decisions made by another entity. The entity capable of determining such decisions is deemed an “effective parent.” The entity whose decisions are capable of being so determined is deemed an “effective subsidiary.” Under the Joint Stock Companies Law, an effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

- this decision-making capability is provided for in the charter of the effective subsidiary or in a contract between the companies; and
- the effective parent gives obligatory directions to the effective subsidiary.

In addition, an effective parent is secondarily liable for an effective subsidiary’s debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or inaction of an effective parent. This is the case no matter how the effective parent’s ability to determine decisions of the effective subsidiary arises. For example, this liability could arise through ownership of voting securities or by contract. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary’s losses from the effective parent which caused the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. Accordingly, we could be liable in some cases for the debts of our subsidiaries. This liability could have a material adverse effect on our business, results of operations and financial condition.

Shareholder rights provisions under Russian law may impose additional costs on us.

Russian law provides that shareholders that vote against or abstain from voting on certain matters have the right to sell their shares to the company at market value in accordance with Russian law. The decisions that trigger this right to sell shares include:

- decisions with respect to a reorganization;
- the approval by shareholders of a “major transaction,” which, in general terms, is a transaction involving property worth more than 50% of the gross book value of our assets calculated according to Russian accounting standards, regardless of whether the transaction is actually consummated; and
- the amendment of our charter in a manner that limits shareholder rights.

Our (or, as the case may be, our subsidiaries') obligation to purchase shares in these circumstances, which is limited to 10% of the company's net assets calculated in accordance with Russian accounting standards at the time the matter at issue is voted upon, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Limitations on foreign investment could impair the value of your investment and could hinder our access to additional capital.

Russian and Ukrainian legislation governing foreign investment activities does not prohibit or restrict foreign investment in the telecommunications industry. However, a lack of consensus exists over the manner and scope of government control over the telecommunications industry. While draft legislation protecting the rights of foreign investors specifically in the telecommunications industry has been considered at various times, the Law on Foreign Investment in the Russian Federation does not provide any specific protections in this regard, nor are there specific protections in Ukraine. Because the telecommunications industry is widely viewed as strategically important to Russia and Ukraine, governmental control over the telecommunications industry may increase, and foreign investment in or control over the industry may be limited. Any such increase in governmental control or limitation on foreign investment could impair the value of your investment and could hinder our access to additional capital.

The implementation of the Federal Law on Communications imposed an additional financial burden on us and may restrict our operations, which could materially adversely affect our financial condition and results of operations.

The Federal Law on Communications, which came into force on January 1, 2004, provided for the establishment of a "universal services reserve fund" for the purpose of supporting communications companies operating in less developed regions of Russia. This reserve fund is funded by a levy imposed on all communication services operators, including us. According to a government decree enacted on April 21, 2005, such operators must make quarterly payments in the amount of 1.2% of the difference between their total revenues from telecommunications services and revenues generated by interconnection and traffic transmission services. This additional levy, which is subject to change in the future, increases our costs and could materially adversely affect our financial condition and results of operations.

In addition, a recent amendment to the Federal Law on Communications, which will become effective July 1, 2006, will implement the CPP principle prohibiting mobile operators from charging their subscribers for incoming calls. Currently, subscribers of fixed line operators can initiate calls to mobile phone users free of charge. It is currently contemplated that under the new system, fixed line operators will begin charging their subscribers for such calls and transfer a percentage of the charge to mobile operators terminating such calls. No assurance can be given as to whether we will be able to enter into payment settlement agreements with fixed line operators on favorable terms that would mitigate any negative effect of the CPP regime. In addition, potential regulatory changes that may be enacted in the future, such as mobile numbering portability and the introduction of new rules surrounding the mobile virtual network of operators could weaken our competitive position in the mobile telecommunications market and, as a result, materially adversely affect our financial position and results of operations.

As only a portion of the legislation implementing the new regulatory regime has been approved, it is currently difficult to assess the possible effects these and other changes to the communications laws and regulations may have on our business, financial condition and results of operations.

In addition, the new Ukrainian Law on Telecommunications also came into force on January 1, 2004. However, regulations implementing the new law have not yet been promulgated and certain regulatory bodies established by the new law have not yet commenced their regulatory functions. For example, the regulatory body tasked with regulating the telecommunications industry and issuing telecommunications licenses in Ukraine, the NCRC was formed in January 2005 and, in June 2005, began to perform its regulatory functions. However, the appointment of the NCRC members is currently being challenged in the Ukrainian courts. Although the first two court rulings confirmed the validity of the members' appointment, a hearing before the Higher Administrative Court of Ukraine is still pending. If the Higher Administrative Court invalidates the appointment of the NCRC members, uncertainty will ensue with respect to the NCRC and its role in the regulation of the Ukrainian telecommunications industry. As a result, our financial position and results of operations may be adversely affected.

In addition, the new Ukrainian Law on Telecommunications, among other things, may require companies with a dominant position in the telecommunications market to develop public telecommunications services if directed to do so by the regulatory authorities. As UMC's estimated market share in mobile telecommunications services in Ukraine is 44%, implementation of the new law may materially adversely affect our financial condition and results of operations. See "Item 4. Information on Our Company—B. Business Overview—Regulation in Ukraine—Legislation."

Characteristics of and changes in the Russian tax system could materially adversely affect our business, financial condition, results of operations and prospects.

Generally, taxes payable by Russian companies are substantial and numerous. These taxes include, among others:

- income taxes;
- VAT;
- unified social tax; and
- property tax.

The tax environment in Russia historically has been complicated by the fact that various authorities have often issued contradictory tax legislation. This uncertainty potentially exposes us to significant fines and penalties and enforcement measures despite our best efforts at compliance, and could result in a greater than expected tax burden and the suspension or termination of our licenses.

Recently, there have been significant changes to the Russian taxation system. Global tax reforms commenced in 1999 with the introduction of Part One of the Tax Code of the Russian Federation, or the Tax Code, which sets general taxation guidelines. Since then, Russia has been in the process of replacing legislation regulating the application of major taxes such as corporate income tax, VAT and property tax with new chapters of the Tax Code.

In practice, the Russian tax authorities generally interpret the tax laws in ways that rarely favor taxpayers, who often have to resort to court proceedings to defend their position against the tax authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretations of the legislation and assessments. Differing interpretations of tax regulations exist both among and within government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation such as customs declarations, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Generally, in an audit, taxpayers are subject to inspection with respect to the three calendar years which immediately preceded the year in which the audit is carried out. Previous audits do not completely exclude subsequent

claims relating to the audited period because Russian tax law authorizes upper-level tax inspectorates to review the results of tax audits conducted by subordinate tax inspectorates. In addition, on July 14, 2005, the Russian Constitutional Court issued a decision that allows the statute of limitations for tax liabilities to be extended beyond the three-year term set forth in the tax laws if a court determines that a taxpayer has obstructed or hindered a tax audit. Because none of the relevant terms are defined, tax authorities may have broad discretion to argue that a taxpayer has “obstructed” or “hindered” an audit and ultimately seek penalties beyond the three-year term. In some instances, new tax regulations have been given retroactive effect.

Moreover, financial results of Russian companies cannot be consolidated for tax purposes. Therefore, each of our Russian subsidiaries pays its own Russian taxes and may not offset its profit or loss against the loss or profit of any of our other subsidiaries. In addition, intercompany dividends are subject to a withholding tax of 9%, if being distributed to Russian companies, and 15%, if being distributed to foreign companies. If the receiving company itself pays a dividend, it may offset tax withheld against its own withholding liability of the onward dividend although not against any withholding made on a distribution to a foreign company. These tax requirements impose additional burdens and costs on our operations, including management resources.

The foregoing conditions create tax risks in Russia that are more significant than typically found in countries with more developed tax systems, imposing additional burdens and costs on our operations, including management resources. In addition to our substantial tax burden, these risks and uncertainties complicate our tax planning and related business decisions, potentially exposing us to significant fines and penalties and enforcement measures despite our best efforts at compliance, and could materially adversely affect our business, financial condition, results of operations and prospects and the value of our shares and ADSs.

The implications of the tax system in Ukraine are uncertain and various tax laws are subject to different interpretations.

Ukraine currently has a number of laws related to various taxes imposed by both central and regional governmental authorities. Applicable taxes include VAT, corporate income tax (profits tax), customs duties, payroll (social) taxes and other taxes. These tax laws have not been in force for significant periods of time compared to more developed market economies and are constantly changed and amended. Accordingly, few precedents regarding tax issues are available.

Although the Ukrainian Constitution prohibits retroactive enforcement of any newly enacted tax laws and the Law on Taxation System specifically requires legislation to adopt new tax laws at least six months prior to them becoming effective, such rules have largely been ignored. In addition, tax laws are often vaguely drafted, making it difficult for us to determine what actions are required for compliance. Differing opinions regarding the legal interpretation of tax laws often exist both among and within governmental ministries and organizations, including the tax administration, creating uncertainties and areas of conflict for taxpayers and investors. In practice, the Ukrainian tax authorities tend to interpret the tax laws in an arbitrary way that rarely favors taxpayers.

Tax declarations/returns, together with other legal compliance areas (e.g., customs and currency control matters), may be subject to review and investigation by various administrative divisions of the tax authorities, which are authorized by law to impose severe fines, penalties and interest charges. These circumstances create tax risks in Ukraine substantially more significant than typically found in countries with more developed tax systems. Generally, tax declarations/returns in Ukraine remain open and subject to inspection for a three-year period. However, this term may not be observed or may be extended under certain circumstances, including in the context of a criminal investigation. While we believe that we are currently in compliance with the tax laws affecting our operations in Ukraine, it is possible that relevant

authorities may take differing positions with regard to interpretative issues, which may result in a material adverse effect on our results of operations and financial condition.

Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may impact our business results of operations.

Russian transfer pricing rules entered into force in 1999, giving Russian tax authorities the right to control prices for transactions between related entities and certain other types of transactions between independent parties, such as foreign trade transactions or transactions with significant price fluctuations. The Russian transfer pricing rules are vaguely drafted, leaving wide scope for interpretation by Russian tax authorities and arbitration courts and their use in politically motivated investigations and prosecutions. We believe that the prices we have used are market prices and, therefore, comply with the requirements of Russian tax law on transfer pricing. However, due to the uncertainties in interpretation of transfer pricing legislation, the tax authorities may challenge our prices and propose adjustments. If such price adjustments are upheld by the Russian arbitration courts and implemented, our results of operations could be materially adversely affected. In addition, we could face significant losses associated with the assessed amount of prior tax underpaid and related interest and penalties, which would have a material adverse effect on our financial condition and results of operations.

In addition, a number of draft amendments to the transfer pricing law have recently been introduced which, if implemented, would considerably toughen the existing law. The proposed changes would, among other things, shift the burden of proving market prices from the tax authorities to the taxpayer, cancel the existing permitted deviation threshold and introduce specific documentation requirements for proving market prices.

The regulatory environment for telecommunications in Russia and Ukraine is uncertain and subject to political influence or manipulation, which may result in negative and arbitrary regulatory and other decisions against us on the basis of other than legal considerations and in preferential treatment for our competitors.

We operate in an uncertain regulatory environment. The legal framework with respect to the provision of telecommunications services in Russia and Ukraine and in other countries in which we operate or may operate in the future is not well developed, and a number of conflicting laws, decrees and regulations apply to the telecommunications sector.

Moreover, regulation is conducted largely through the issuance of licenses and instructions, and governmental officials have a high degree of discretion. In this environment, political influence or manipulation could be used to affect regulatory, tax and other decisions against us on the basis of other than legal considerations. For example, Russian government authorities investigated Vimpelcom in late 2003 on grounds that it was illegally operating in Moscow pursuant to a license issued to its wholly-owned subsidiary rather than to Vimpelcom itself. In addition, some of our competitors may receive preferential treatment from the government, potentially giving them a substantial advantage over us. For example, according to press reports, MegaFon and Kyivstar, our competitors in Russia and Ukraine, respectively, received preferential treatment in regulatory matters in the past.

We face similar risks in other countries of the CIS.

In addition to Russia and Ukraine, we currently have operations in other CIS countries, including Belarus, Uzbekistan and Turkmenistan. We may acquire additional operations in other countries of the CIS. In many respects, the risks inherent in transacting business in these countries are similar to those in Russia and Ukraine, especially those risks set out above in “—Risks Relating to the Russian Federation and Ukraine.”

Risks Relating to the Shares and ADSs and the Trading Market

Because the depository may be considered the beneficial holder of the shares underlying the ADSs, these shares may be arrested or seized in legal proceedings in Russia against the depository.

Because Russian law may not recognize ADS holders as beneficial owners of the underlying shares, it is possible that you could lose all your rights to those shares if the depository's assets in Russia are seized or arrested. In that case, you would lose all the money you have invested.

Russian law might treat the depository as the beneficial owner of the shares underlying the ADSs. This would be different from the way other jurisdictions treat ADSs. In the United States, although shares may be held in the depository's name or to its order, making it a "legal" owner of the shares, the ADS holders are the "beneficial," or real owners. In U.S. courts, an action against the depository, the legal owner of the shares, would not result in the beneficial owners losing their shares. Russian law may not make the same distinction between legal and beneficial ownership, and it may only recognize the rights of the depository in whose name the shares are held, not the rights of ADS holders, to the underlying shares.

Thus, in proceedings brought against a depository, whether or not related to shares underlying ADSs, Russian courts may treat those underlying shares as the assets of the depository, open to seizure or arrest. In the past a lawsuit has been filed against a depository bank other than our depository seeking the seizure of various Russian companies' shares represented by ADSs issued by that depository. In the event that this type of suit were to be successful in the future, and the shares were to be seized or arrested, the ADS holders involved would lose their rights to the underlying shares.

Your voting rights with respect to the shares represented by our ADSs are limited by the terms of the deposit agreement for our ADSs and relevant requirements of Russian law.

ADS holders will have no direct voting rights with respect to the shares represented by the ADSs. They will be able to exercise voting rights with respect to the shares represented by ADSs only in accordance with the provisions of the deposit agreement relating to the ADSs and relevant requirements of Russian law. Therefore, there are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with them. For example, the Federal Law on Joint Stock Companies and our charter require us to notify shareholders no less than 30 days prior to the date of any meeting and at least 50 days prior to the date of an extraordinary meeting to elect our Board of Directors. Our ordinary shareholders will receive notice directly from us and will be able to exercise their voting rights by either attending the meeting in person or voting by power of attorney.

As an ADS holder, you, by comparison, will not receive notice directly from us. Rather, in accordance with the deposit agreement, we will provide the notice to the depository. The depository has undertaken in turn, as soon as practicable thereafter, to mail to you the notice of such meeting, voting instruction forms and a statement as to the manner in which instructions may be given by holders. To exercise your voting rights, you must then instruct the depository how to vote its shares. Because of this extra procedural step involving the depository, the process for exercising voting rights may take longer for you than for holders of shares. ADSs for which the depository does not receive timely voting instructions will not be voted at any meeting.

In addition, although securities regulations expressly permit the depository to split the votes with respect to the shares underlying the ADSs in accordance with instructions from ADS holders, there is little court or regulatory guidance on the application of such regulations, and the depository may choose to refrain from voting at all unless it receives instructions from all ADS holders to vote the shares in the same manner. You may thus have significant difficulty in exercising voting rights with respect to the shares underlying the ADSs. There can be no assurance that holders and beneficial owners of ADSs will (i) receive notice of shareholder meetings to enable the timely return of voting instructions to the

depository, (ii) receive notice to enable the timely cancellation of ADSs in respect of shareholder actions or (iii) be given the benefit of dissenting or minority shareholders' rights in respect of an event or action in which the holder or beneficial owner has voted against, abstained from voting or not given voting instructions.

You may be unable to repatriate your earnings from our shares and ADSs.

We anticipate that any dividends we may pay in the future on the shares represented by the ADSs will be declared and paid to the depository in rubles and will be converted into U.S. dollars by the depository and distributed to holders of ADSs, net of the depository's fees and expenses. The ability to convert rubles into U.S. dollars is subject to the availability of U.S. dollars in Russia's currency markets. Although there is an existing, albeit limited, market within Russia for the conversion of rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, there is no market for the conversion of rubles into foreign currencies outside of Russia and no viable market in which to hedge ruble and ruble-denominated investments.

You may not be able to benefit from the United States-Russia income tax treaty.

In accordance with Russian legislation, dividends paid to a non-resident holder generally will be subject to Russian withholding at a rate of 15% for legal entities and organizations and at a rate of 30% for individuals. This tax may be reduced to 5% or 10% for legal entities and organizations and to 10% for individuals under the Convention between the United States of America and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital (the "United States-Russia income tax treaty") for U.S. tax residents. However, the Russian tax rules applicable to ADS holders are characterized by significant uncertainties. In 2005, the Ministry of Finance expressed an opinion that ADS holders (rather than the depository) should be treated as the beneficial owners of the underlying shares for the purposes of the double tax treaty provisions applicable to taxation of dividend income from the underlying shares, provided that tax residencies of the ADS holders are duly confirmed. However, in the absence of any specific provisions in the Russian tax legislation with respect to the concept of beneficial ownership and taxation of income of beneficial owners, it is unclear how the Russian tax authorities and courts will ultimately treat the ADS holders in this regard. Thus, we may be obliged to withhold tax at standard rates when paying out dividends, and U.S. ADS holders may be unable to benefit from these treaties. See "Item 10. Additional Information—E. Taxation—Russian Income and Withholding Tax Considerations" for additional information.

Capital gain from the sale of shares and ADSs may be subject to Russian income tax.

Under Russian tax legislation, gains realized by non-resident legal entities or organizations from the disposition of Russian shares and securities, as well as financial instruments derived from such shares, such as the ADSs, may be subject to Russian profits tax or withholding income tax if immovable property located in Russia constitutes more than 50% of our assets. However, no procedural mechanism currently exists to withhold and remit this tax with respect to sales made to persons other than Russian companies and foreign companies with a registered permanent establishment in Russia. Gains arising from the disposition at foreign stock exchanges of the foregoing types of securities listed on these exchanges by foreign holders who are legal entities or organizations are not subject to taxation in Russia.

Gains arising from the disposition of the foregoing types of securities and derivatives outside of Russia by U.S. holders who are individuals not resident in Russia for tax purposes will not be considered Russian source income and will not be taxable in Russia. Gains arising from disposition of the foregoing types of securities and derivatives in Russia by U.S. holders who are individuals not resident in Russia for tax

purposes may be subject to tax either at the source in Russia or based on an annual tax return, which they may be required to submit with the Russian tax authorities.

Foreign judgments may not be enforceable against us.

Our presence outside the United States may limit your legal recourse against us. We are incorporated under the laws of the Russian Federation. Substantially all of our directors and executive officers named in this document reside outside the United States. All or a substantial portion of our assets and the assets of our officers and directors are located outside the United States. As a result, you may not be able to effect service of process within the United States on us or on our officers and directors. Similarly, you may not be able to obtain or enforce U.S. court judgments against us, our officers and directors, including actions based on the civil liability provisions of the U.S. securities laws. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions outside the United States, liabilities predicated upon U.S. securities laws.

There is no treaty between the United States and the Russian Federation providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. These limitations may deprive you of effective legal recourse for claims related to your investment in the ADSs. The deposit agreement provides for actions brought by any party thereto against us to be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, provided that any action under the U.S. federal securities laws or the rules or regulations promulgated thereunder may, but need not, be submitted to arbitration. The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards, but it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including the inexperience of Russian courts in international commercial transactions, official and unofficial political resistance to enforcement of awards against Russian companies in favor of foreign investors and Russian courts' inability to enforce such orders and corruption.

Other Risks

We have not independently verified information we have sourced from third parties.

We have sourced certain information contained in this document from third parties, including private companies and Russian government agencies, and we have relied on the accuracy of this information without independent verification. The official data published by Russian federal, regional and local governments may be substantially less complete or researched than those of Western countries. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Russia in this document must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information. In addition, the veracity of some official data released by the Russian government may be questionable. In 1998, the Director of the Russian State Committee on Statistics and a number of his subordinates were arrested and subsequently sentenced by a court in 2004 in connection with their misuse of economic data.

Because no standard definition of a subscriber, average monthly service revenue per subscriber (ARPU), average monthly usage per subscriber (MOU) or churn exists in the mobile telecommunications industry, comparisons between certain operating data of different companies may be difficult to draw.

The methodology for calculating subscriber numbers, ARPU, MOU and churn varies substantially in the mobile telecommunications industry, resulting in variances in reported numbers from that which would result from the use of a uniform methodology. Therefore, comparisons of certain operating data between different mobile cellular communications companies may be difficult to draw.

Item 4. Information on Our Company

A. History and Development

Mobile TeleSystems CJSC, or MTS CJSC, our predecessor, was formed in 1993. The founding shareholders included MGTS and three other Russian telecommunications companies, which collectively held 53% of our original share capital, and two German companies, Siemens AG and T-Mobile Deutschland GmbH, an affiliate of Deutsche Telekom AG, which collectively held the remaining 47%. JSFC Sistema, or Sistema, currently owns 52.8% of our share capital. See “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.”

MTS CJSC inaugurated service in the Moscow license area in 1994 and began expanding into nearby regions in 1997. Since that time, we have continued to grow by applying for GSM licenses in new regions, investing in new GSM licensees, increasing our ownership percentage in these licensees and acquiring existing GSM license holders and operators.

Mobile TeleSystems OJSC was created on March 1, 2000, through the merger of MTS CJSC and RTC CJSC, a wholly-owned subsidiary. In accordance with Russian merger law, MTS CJSC and RTC CJSC ceased to exist and MTS OJSC was created with the assets and obligations of the predecessor companies. Our charter was registered with the State Registration Chamber on March 1, 2000, which is our date of incorporation, and with the Moscow Registration Chamber on March 22, 2000. Our initial share issuance was registered by the Russian Federal Commission on the Securities Market on April 28, 2000.

We completed our initial public offering on July 6, 2000, and listed our shares of common stock, represented by American Depositary Shares, or ADSs, on the New York Stock Exchange under the symbol “MBT.” Each ADS represents five underlying shares of our common stock. Prior to January 1, 2005, each ADS represented 20 shares.

In April 2003 and December 2004, T-Mobile completed offerings of approximately 5.0% and 15.1% of our shares, respectively, in the form of GDRs through an unsponsored GDR program. In September 2005, T-Mobile sold its remaining 10.1% interest in us on the open market.

Our legal name is Mobile TeleSystems OJSC, and we are incorporated under the laws of the Russian Federation. Our head office is located at 4 Marksistskaya Street, Moscow 109147, Russian Federation, and the telephone number of our investor relations department is +7 495 911-6553. We maintain a website at www1.mtsgsm.com. The information on our website is not a part of this report. We have appointed Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19715 as our authorized agent for service of process for any suit or proceeding arising out of or relating to our shares, ADSs or the Deposit Agreement.

Article 2.1 of our charter provides that our principal purpose is to obtain profits through the planning, marketing and operation of a radiotelephone mobile cellular network in the Russian Federation. We are recorded in the Unified State Register of Legal entities with registration number 1027700149124.

Expansion

Russia

In furtherance of our goal to be a nationwide operator in Russia, we have extended our focus beyond our original market of Moscow and the Moscow region with a view towards developing our existing license areas in the regions, acquiring new regional licenses and acquiring regional operators. For a listing of our acquisitions in the last three years, see “Item 5. Operating and Financial Review and Prospects—Acquisitions” and Note 3 to our audited consolidated financial statements.

We spent \$1,447.9 million in 2005 for network development in Russia, including \$1,145.4 million in cash expenditures on property, plant and equipment, and \$302.5 million for the purchase of intangible assets. In addition, we expect to spend approximately \$1,165.0 million for further network development.

Belarus

In September 2001, we won a tender held by the Telecommunications Ministry of the Belarus Republic to form a joint venture with a GSM 900/1800 license to operate in Belarus. Belarus had a population of approximately 9.8 million and a nationwide mobile penetration rate of approximately 41% as of December 31, 2005, according to AC&M-Consulting. Pursuant to the tender conditions:

- we formed a company in Belarus, MTS Belarus, and contributed approximately \$2.5 million in exchange for 49% of the share capital of the company (the other 51% of which is held by a state-owned enterprise);
- we paid a lump sum of \$10 million to the government of Belarus;
- MTS Belarus made a one-time payment of \$5 million (which was funded by a \$5 million loan from us to it); and
- we will pay a total of \$6 million to the government of Belarus in five annual installments of \$1.2 million from 2003 through 2007.

On June 26, 2002, MTS Belarus received all of the governmental approvals and licenses required to commence operations in Belarus and it began operations on June 27, 2002.

Under the terms of the tender, MTS Belarus' license will be valid for ten years, after which it may be prolonged an additional five-year period as long as the joint venture fulfills the terms of the license. At the time we won the tender, Cellular Digital Network, or Velcom, already held a GSM 900 license to operate in Belarus. Velcom's license was issued in 1998 and is also valid for ten years and may be renewed for an additional five-year period. Velcom is a joint venture between Beltelecom and Beltechexport, two Belarusian state enterprises, which collectively have a controlling stake in Velcom and several other companies.

Ukraine

In March 2003, we purchased a 57.7% stake in UMC for \$199.0 million. We purchased a 16.33% stake from KPN, a 16.33% stake from Deutsche Telekom, and a 25.0% stake from Ukrtelecom. In June 2003, we purchased an additional 26.0% stake in UMC from Ukrtelecom for \$87.6 million pursuant to a call option agreement, which increased our ownership in UMC to 83.7%. We purchased the remaining 16.33% stake in UMC from TDC for \$91.7 million in July 2003 pursuant to a put and call option agreement. Prior to our entering into the agreements for the purchase of UMC, UMC did not make payments when due under certain loans from certain of its shareholders. In connection with our agreement to acquire UMC, UMC agreed to restructure, and we guaranteed, such indebtedness. As of December 31, 2004, these loans were fully repaid.

Uzbekistan

In August 2004, we acquired a 74% stake in Uzdunrobita, the largest wireless operator in Uzbekistan, for \$126.4 million in cash. We also entered into put and call option agreements with the existing shareholders to acquire the remaining 26% stake for not less than \$37.7 million. The exercise period for the call and put option is 48 months from the acquisition date.

Turkmenistan

In two separate purchases in June and November 2005, we acquired 100% of BCTI, the leading wireless operator in Turkmenistan, for \$46.7 million in cash.

Capital Expenditures

We spent in total \$2,181.4 million in 2005 for network development in Russia and other countries, which included \$1,758.0 million in cash expenditures on property, plant and equipment, and \$423.4 million for the purchase of intangible assets. In addition, we expect to spend approximately \$1,800 million in 2006 for further network development, which we plan to finance mostly through operating cash flows, and to the extent necessary, through additional external financing activities.

Belarus

MTS Belarus spent \$84.1 million in 2005 for network development in Belarus and expects to spend approximately \$157.0 million in 2006 for further network development. MTS Belarus has developed GSM 900 and 1800 networks in Belarus' major cities and regions, including Minsk and the Minsk region, the Gomel region, the Mogilev region and the Brest region, as well as throughout certain major highways, including the Moscow-Brest highway and train route. MTS Belarus has also developed its network in certain areas near Belarus' border with Ukraine and Russia, and plans to further extend and improve the technical capabilities of its network throughout Belarus.

Ukraine

UMC spent \$675.7 million in 2005 for network development in Ukraine, including \$571.1 million in cash expenditures on property, plant and equipment, and \$104.6 million for the purchase of intangible assets. In addition, UMC expects to spend approximately \$554.0 million in 2006 for further network development.

Uzbekistan

Uzdunrobita spent \$56.3 million in 2005 for network development in Uzbekistan, including \$40.0 million in cash expenditures on property, plant and equipment, and \$16.3 million for the purchase of intangible assets. In addition, Uzdunrobita expects to spend approximately \$76.0 million in 2006 for further network development.

Turkmenistan

BCTI expects to spend approximately \$12.0 million in 2006 for network development.

B. Business Overview

We are a leading provider of mobile cellular communications services in the Russian Federation, Ukraine and certain other CIS countries, employing technology based primarily on Global System for Mobile Communications, or GSM. In 2005, we generated net revenues of \$5,011 million and had a subscriber base of 58.2 million (44.2 million in Russia, 13.3 million in Ukraine, 0.6 million in Uzbekistan and 0.1 million in Turkmenistan) at December 31, 2005, making us the largest mobile operator in Russia, Uzbekistan and Turkmenistan and the second largest in Ukraine in terms of subscribers.

In addition to standard voice services, we offer our subscribers value-added services including voice mail, short message service, or SMS, general packet radio service, or GPRS, and various SMS- and GPRS-based information and entertainment services (including multi-media message service, or MMS). We also offer our subscribers the ability to roam automatically throughout Europe and in much of the rest of the

world, and as of December 31, 2005, we had bilateral roaming agreements with 400 wireless operators in 192 countries.

We have grown rapidly since 1999 through organic growth, as well as acquisitions. The table below sets forth our total subscribers as of the end of, and net revenues for each of, the last five years:

<u>Period</u>	<u>Subscribers⁽¹⁾</u> <u>(in thousands)</u>	<u>Net revenues</u>
2001	2,650	\$ 893,247
2002	6,644	\$ 1,361,756
2003	16,719	\$ 2,546,198
2004	34,224	\$ 3,886,994
2005	58,194	\$ 5,011,018

⁽¹⁾ We define a subscriber as an individual or organization whose account shows chargeable activity within 61 days (or 183 days in the case of the “Jeans” and “SIM-SIM” brand tariffs) or whose account does not have a negative balance for more than this period. Prior to October 1, 2004, UMC used a 90-day period for such purposes with respect to its “Jeans” and “SIM-SIM” subscribers.

According to AC&M-Consulting, we had a leading 35% market share of total wireless subscribers in Russia at December 31, 2005. Our market share in the Moscow license area, which encompasses the City of Moscow and the Moscow region, was higher at 45%. The Moscow license area accounts for approximately 17% of our total subscriber base. In Ukraine, we had a leading 44% market share at December 31, 2005, according to AC&M-Consulting. Our subscriber base continued to grow in 2006. At May 31, 2006, we had approximately 62.9 million subscribers, of which 47.1 million were in Russia, 14.9 million were in Ukraine, 0.8 million were in Uzbekistan and 0.1 million in Turkmenistan.

Russia is our principal market, both in terms of subscribers and revenues. At December 31, 2005, approximately 76% of our subscriber base was in Russia and approximately 23% was in Ukraine. For the year ended December 31, 2005, approximately 74% of our revenues came from operations in Russia and 24% from operations in Ukraine.

Overall wireless penetration in Russia was at approximately 87% at December 31, 2005, and higher in Moscow at 135%, according to AC&M-Consulting. Mobile cellular penetration in Ukraine was lower than in Russia at approximately 64% at December 31, 2005, according to AC&M-Consulting. Mobile cellular penetration in Uzbekistan was at approximately 4% at December 31, 2005, according to the Uzbek Agency for Communications and Informatization. Mobile cellular penetration in Turkmenistan was at approximately 1.5% at December 31, 2005, according to our estimates.

As of December 31, 2005, we had licenses to operate in 86 regions of Russia with a population of approximately 142.6 million people, or approximately 98.2% of the country’s total population, for the entire territory of Ukraine with a population of approximately 47.5 million people, for the entire territory of Uzbekistan with a population of approximately 26.1 million people and for the entire territory of Turkmenistan with a population of approximately 6.7 million people. As of December 31, 2005, we had commercial operations in 82 regions of Russia, with a combined population of approximately 139.9 million people, in all of Ukraine and in selected areas of Uzbekistan and Turkmenistan.

To maintain and increase our market share and brand awareness, we use a combination of print media, radio, television, direct mail and outdoor advertising, focusing on brand and image advertising, as well as promotion of particular tariff plans. Supporting these efforts, we have developed an extensive distribution network comprised of 457 of our own sales and customer service centers and approximately 34,000 additional points of sale operated by our dealers, as of December 31, 2005.

We seek to minimize our exposure to the credit risk of our subscribers through our advance-payment billing system, which is used by over 89% of our subscribers in Russia and approximately 90% of our subscribers in Ukraine. Under this system, our subscribers prepay for their access, usage and value-added service fees.

MTS Belarus had 2.1 million subscribers and a leading market share of 51.6% at December 31, 2005, according to AC&M-Consulting. The subscriber base of MTS Belarus grew to 2.5 million at May 31, 2006. Belarus, a country with a population of approximately 9.8 million, had a mobile cellular penetration rate of 41% at December 31, 2005, according to AC&M-Consulting.

Business Strategy

Our primary goal is to maintain our position as a leading wireless operator in each of the territories in which we operate. In addition, we intend to take advantage of opportunities to expand our network coverage in the Russian Federation and other countries with a focus on the former Soviet Republics, excluding the Baltic states. To achieve this, we intend to continue to implement the following strategies:

- Maintain our leading position in the Moscow license area by expanding and upgrading our subscriber base and focusing on the requirements of the various subscriber groups, encouraging loyalty through high quality of service, cost control and development of services and incentives.
- Develop our operations in regions we currently service, in particular, in St. Petersburg, which we consider to be the second most important mobile market in Russia after Moscow.
- Selectively extend our network to regions of Russia in which we do not already operate, focusing on densely populated areas with relatively high per capita incomes, such as regional capitals and along transportation routes.
- Expand our operations and further develop our commercial services in Ukraine, Belarus and other countries of the CIS as attractive opportunities arise through the acquisition of existing operators or new licenses.
- Provide new and varied tariff plans and value-added service options that appeal to the various subscriber groups within our network.
- Use the Moscow license area as a platform from which to test and launch new products and services.

In the past few years, we have rapidly expanded into the Russian regions and selected CIS countries through launches of operations in territories in which we had licenses and through acquisitions of other mobile operators. Starting in 2003, we have become particularly focused on the integration of our existing businesses into a single company with a unified marketing approach and centralized network and operations management. In addition, we intend to continue to consolidate our ownership in regional subsidiaries by acquiring remaining minority stakes.

Our capital expenditures (consisting of purchases of property, plant and equipment and intangible assets) in 2004 and 2005 were \$1,358.9 million and \$2,181.3 million, respectively, and we expect to invest approximately \$1,800 million in 2006. These investments are required to support the growth in our subscriber base (*i.e.*, to improve network capacity) and to develop our network in the new regions for which we received licenses.

We may also expand our operations into other countries of the CIS through the acquisition of existing operators or new licenses as attractive opportunities arise.

Implementation of these strategies is subject to a number of risks. See “Item 3. Key Information—D. Risk Factors” for a description of these and other risks we face.

Current Operations

Subsidiaries

For a list of our major subsidiaries and our ownership percentages in these subsidiaries, see Note 2 to our audited consolidated financial statements.

Consistent with our strategy, in November 2004, the general meeting of our shareholders approved a reorganization of MTS OJSC in the form of a merger with Telecom XXI, Kuban-GSM, UDN-900, Dontelecom, MTS Barnaul, MTS-NN, Amur Cellular Communication (“ACC”) and Telecom-900. We completed the merger in July 2005.

To improve management efficiency and consolidate administratively our majority-owned subsidiaries, our shareholders approved a further reorganization of MTS OJSC in February 2006 in the form of a merger with nine of our wholly-owned subsidiaries, including Gorizont RT, TAIF Telecom, MTS RTK, Sibchallenge, Tomsk Cellular Communications (“TSS”), BM Telekom, Far East Cellular Systems—900 (“FECS—900”), Siberian Cellular Systems—900 (“SCS—900”) and Uraltel. We completed the merger in March 2006.

License Areas

The following table shows, as of May 31, 2006, information with respect to the license areas in which we and our subsidiaries and affiliates provide or expect to provide GSM services:

License Region	GSM 900		GSM 1800	
	Licensee	Expiry date	Licensee	Expiry date
Moscow License Area				
Moscow	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Moscow region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
St. Petersburg License Area				
St. Petersburg	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Leningrad region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Russian Regional License Areas				
European Russia				
Adygeya Republic	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Arkhangelsk region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Astrahansk region	MTS OJSC	December 11, 2013	Astrahan-Mobile	October 18, 2011
Bashkortostan Republic	MTS OJSC	August 22, 2007	MTS OJSC	August 22, 2007
Belgorod region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Belgorod region	ReCom	May 15, 2008	—	—
Bryansk region	ReCom	May 15, 2008	—	—
Bryansk region	—	—	MTS OJSC	April 28, 2008
Chuvashia Republic	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Dagestan Republic ⁽¹⁾	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Ivanovo region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Ingushetia Republic	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Kabardino-Balkar Republic	—	—	MTS OJSC	December 30, 2013
Kaliningrad region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Kalmykia Republic	MTS-RTK	January 25, 2011	MTS OJSC	December 30, 2013
Kaluga region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Karachaevo-Cherkesia Republic	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Karelia Republic	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Kirov region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Komi Republic	MTS OJSC	August 22, 2007	MTS OJSC	April 28, 2008

Komi-Permyatsk Autonomous District	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Kostroma region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Krasnodar territory	MTS OJSC	May 30, 2007	MTS OJSC	May 30, 2007
Kursk region	—	—	MTS OJSC	April 28, 2008
Kursk region	ReCom	May 15, 2008	—	—
Lipetsk region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Lipetsk region	ReCom	May 15, 2008	—	—
Mari-El Republic	Mar Mobile GSM	January 15, 2012	Mar Mobile GSM	January 15, 2012
Mordovia Republic	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Murmansk region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Nenetsk Autonomous District	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Nizhny Novgorod region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Novgorod region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Orel region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Orel region	ReCom	May 15, 2008	—	—
Orenburg region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Perm region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Rostov region	MTS OJSC	July 1, 2010	MTS OJSC	July 1, 2010
Pskov region	MTS OJSC	October 1, 2006	—	—
Pskov region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Ryazan region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Samara region	MTS OJSC	December 30, 2012	MTS OJSC	December 30, 2012
Saratov region	MTS OJSC	July 11, 2012	MTS OJSC	July 11, 2012
Severnaya Osetia-Alania Republic	Telesot Alania	April 28, 2011	Telesot Alania	April 28, 2011
Severnaya Osetia-Alania Republic	—	—	MTS OJSC	December 30, 2013
Smolensk region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Stavropol territory	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Tambov region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Tatarstan Republic	MTS OJSC	June 26, 2007	MTS OJSC	June 26, 2007
Tula region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Tver region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Udmurt Republic	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Udmurt Republic	MTS OJSC	February 21, 2007	—	—
Ulyanovsk region	—	—	MTS OJSC	December 30, 2013
Vladimir region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Volgograd region	—	—	Volgograd-Mobile	October 4, 2011
Vologda region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Voronezh region	ReCom	May 15, 2008	—	—
Voronezh region	—	—	MTS OJSC	April 28, 2008
Yaroslavl region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Asian Russia				
Aginski-Buryatski Autonomous District	Sibintelecom	July 1, 2013	Sibintelecom	October 31, 2008
Aginski-Buryatski Autonomous District	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Altaiisk territory	MTS OJSC	September 8, 2010	MTS OJSC	September 8, 2010
Altai Republic	MTS OJSC	July 19, 2011	MTS OJSC	December 30, 2013
Amur region	MTS OJSC	January 10, 2007	MTS OJSC	January 10, 2007
Amur region	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Buryatiya Republic	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Chelyabinsk region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Chita region	Sibintelecom	January 1, 2011	Sibintelecom	January 1, 2011
Chita region	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008

Chukotsk Autonomous District ⁽¹⁾	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Evenkia Autonomous District ⁽¹⁾	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Jewish Autonomous region	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Irkutsk region	MTS OJSC	December 30, 2013	—	—
Irkutsk region	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Kamchatka region	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Kemerov region	MTS OJSC	December 30, 2013	MTS OJSC	December 30, 2013
Khabarovsk Territory	MTS OJSC	January 10, 2007	MTS OJSC	January 10, 2007
Khabarovsk Territory	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Khakassiya Republic	MTS OJSC	September 13, 2011	MTS OJSC	September 13, 2011
Khanty Mansiysk Autonomous District	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Koryakski Autonomous District ⁽¹⁾	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Krasnoyarsk Territory	MTS OJSC	December 21, 2010	MTS OJSC	September 13, 2011
Kurgan region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Magadan region	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Novosibirsk region	MTS OJSC	February 21, 2007	MTS OJSC	February 21, 2007
Omsk region	MSS	December 20, 2006	MSS	December 20, 2006
Primorsky Territory	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Sakha Republic (Yakutia)	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Sakha Republic (Yakutia)	MTS OJSC	July 1, 2010	—	—
Sakhalin region	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Sverdlovsk region	MTS OJSC	March 1, 2011	MTS OJSC	March 1, 2011
Sverdlovsk region	—	—	MTS OJSC	April 28, 2008
Taimyr Autonomous District	Sibchallenge	December 21, 2010	Sibchallenge	September 13, 2011
Tomsk region	MTS OJSC	June 5, 2008	MTS OJSC	June 5, 2008
Tyumen region	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Tyva Republic	MTS OJSC	July 19, 2011	MTS OJSC	December 30, 2013
Ust-Ordynski Buriatsk Autonomous District	Primtelefon	April 28, 2008	Primtelefon	April 28, 2008
Yamalo-Nenetsk Autonomous District	MTS OJSC	April 28, 2008	MTS OJSC	April 28, 2008
Ukraine				
Ukraine	UMC	December 3, 2013	UMC	December 3, 2013
Uzbekistan				
Uzbekistan	Uzdunrobota	June 30, 2016	Uzdunrobota	June 30, 2016
Turkmenistan				
Turkmenistan	BCTI	February 1, 2009	BCTI	February 1, 2009
Belarus				
Belarus	MTS Belarus	April 30, 2012	MTS Belarus	April 30, 2012

⁽¹⁾ Our regional license areas in which we have not commenced commercial operations as of the date of this document.

Each of our licenses requires service to be started by a specific date and most contain further requirements as to network capacity and territorial coverage to be reached by specified dates. We have met these targets or received extensions to these dates in those regional license areas in which we have not commenced operations. Neither the government nor other parties have taken or attempted to take legal actions to suspend, terminate or challenge the legality of any of our licenses. We have not received any notice of violation of any of our licenses, and we believe that we are in compliance with all material terms of our licenses.

Services Offered

Network Access

We primarily offer mobile cellular voice, data and facsimile communication services to our subscribers on the basis of various tariff plans. In general, we offer tariff plans that do not require subscribers to pay a monthly subscription fee. However, certain tariff plans require subscribers to pay a monthly subscription fee and a per-minute charge for usage. See “—Tariffs.”

Automatic Roaming

Roaming allows our customers, both subscribers and guest roamers, to receive and make international, local and long-distance calls while traveling outside of their home network. Roaming is provided through individual agreements between us and other GSM operators. Unlike many non-GSM providers that require additional equipment or prior notification, our roaming service is instantaneous, automatic and requires no additional equipment.

As of December 31, 2005, we had bilateral roaming contracts with 400 wireless operators in approximately 192 countries, including with regional operators in Russia. We continually seek to expand our roaming capability and are currently in negotiations with additional operators. In Russia, as of December 31, 2005, in addition to our network coverage area in 82 regions of Russia, GSM service is available to our subscribers in several regions of Russia where we do not currently operate through our roaming agreements with 13 regional operators.

Roaming agreements regulate the relations and billing procedures between operators. The host operator sends the roamer’s home operator a bill for the roaming services provided to the roamer. The roamer’s home operator pays the host operator directly for the roaming services and then includes the amount due for the provision of roaming services in the roamer’s monthly bill.

Value-Added Services

We offer several value-added services to our customers. These services may be included in the tariff plan selected by the subscriber or subscribers may pay additional monthly charges and, in some cases, usage charges for them. Some basic value-added services that we offer include:

- Call Divert/Forwarding;
- Call Barring;
- Caller ID Display and anti-Caller ID Display;
- Call Waiting;
- Conference Calling;
- Melody Ring Tones;
- Wi-Fi;
- Missed Call Alert;
- Mobile Office;
- Itemization of Monthly Bills;
- Voicemail;
- Information and Directory Service;
- International Access Service;
- Automatic Customer Care System;

- Customer Care System via the Internet;
- Short Message Service, or SMS;
- General Packet Radio Service, or GPRS;
- Multi-Media Message Service, or MMS;
- Wireless Application Protocol, or WAP;
- New technologies-based services, including wireless local area network, or WLAN, location based services, or LBS, and others;
- SIM-browser;
- I-mode;
- Real IP; and
- Location-Based Service, or LBS.

We also provide many voice and SMS-based value-added services in cooperation with various content providers.

Other Services

In addition to cellular communication services, we offer corporate clients a number of telecommunications services such as design, construction and installation of local voice and data networks capable of interconnecting with fixed line operators, installation and maintenance of cellular payphones, lease of digital communication channels, access to open computer databases and data networks, including the Internet, and provision of fixed, local and long-distance telecommunications services, as well as video conferencing.

Sales and Marketing

Target Customers

Our target customers historically included companies, professionals, high-income individuals, reporters, government organizations, businesspersons and diplomats. However, with mobile cellular penetration in these segments becoming saturated, we began offering mobile cellular services to a much wider group of the population. Over time, we adjusted our service model to provide differentiated levels of service to meet the needs of distinctive customer segments as such segments have developed. In 2002, we launched the “Jeans” group of tariff plans, which appealed to mass-market subscribers as these prepaid plans had, and continue to have, low connection and no monthly fees. We also continue to actively target high-end customers who provide us with larger profit margins through high ARPU and MOU. For example, the “Profi” and “Exclusive” tariff plans offer a higher level of customer service, technical support and a wide range of services, including personalized service and support with minimum waiting time. Today, we are considered a mass-market mobile network operator with a wide range of subscribers in all customer segments.

To promote subscriber loyalty, we offer discounts with respect to our tariff plans for customers willing to enter into extended contracts with us. This strategy also helps to mitigate churn rates among our subscribers in a highly competitive market.

Advertising and Marketing

Our advertising and public relations initiatives include:

- brand and image advertising and public relations to position us as the leading mobile cellular operator in Russia, Ukraine, Uzbekistan and Turkmenistan;

- information advertising and promotion to inform potential customers of the advantages of the high quality and variety of our services and the extensive coverage we offer; and
- product- and tariff-related advertising and promotion for specific marketing campaigns, new tariffs and pricing discounts.

We use a combination of newspaper, magazine, radio, television and outdoor advertising, including billboards and signs on buses and kiosks, and exhibitions to build brand awareness and stimulate demand. Our indirect advertising includes sponsorship of selected television programs, sporting events, concerts and other popular events. We also coordinate the advertising policies of our dealers to capitalize on the increased volume of joint advertising and preserve the integrity and high-quality image of the MTS brand. As we have expanded our network, we have concentrated a greater part of our advertising and marketing effort on positioning the MTS and Jeans brands as national brands. In addition, we focus our advertising and marketing on the affordability and variety of our tariff plans, on the broad coverage of our network and the use and availability of national roaming.

Renewed brand

On May 10, 2006, Sistema introduced a universal brand featuring a new egg-shaped logo for each of the telecommunications companies operating within the Sistema Telecom group, including us. We believe that our new brand symbolizes leadership and a dynamic and innovative approach to doing business. The re-branding reflects a shift in our marketing strategy with a renewed focus on the simplification of our communications to the general public. One of the goals through our re-branding efforts is to create a simple set of tariff plans with clear advantages over our competitors and easy-to-understand descriptions of the wide range of our services and product offerings. In addition, we aim to simplify the purchasing experience for our customers by creating a universal format for our sales offices, transforming them into visually appealing, practical and convenient venues where buyers can obtain product information and test our latest products and services.

The changes relating to our brand renewal will impact each of our operational regions, as well as the relationship we have with our subscribers. For example, we are circulating new payment cards and will phase out the old cards as they expire. We have launched a federal advertising campaign with new advertising and informational materials. Our revised website with the new brand and logo is already available online at www1.mtsgsm.com. New signs will be hung at our sales offices, which will be redesigned to reflect the service standards and philosophy of the new brand.

Under this universal brand, our subscribers will have access to a wide range of telecommunications products and services, including Internet access, mobile and fixed-line telephones, single billing and a single interface for all of the subscriber's telecommunications needs. We believe that our re-branding efforts will increase our recognition among existing and potential clients, promote cross-sales of the companies using the brand and enhance subscriber loyalty.

Sales and Distribution

As of December 31, 2005, we had 398 sales and customer service centers in Russia, 36 in Ukraine, 21 in Uzbekistan and ten in Turkmenistan. In response to the demand shift to mass-market subscribers, we have developed an extensive distribution network through independent dealers that operate numerous outlets in places of high consumer activity, such as supermarkets and malls. Under our current policy, dealers receive a commission per subscriber connected based on revenues generated during the first six months by subscribers that they enroll. The commission in the Moscow license area currently ranges between \$25 and \$120 per subscriber and dealer commissions in the other regional license areas in Russia are between \$5 and \$50. Dealer commissions in Ukraine range from \$3 to \$40. Dealers generally receive a commission of approximately \$40-50 for enrolling subscribers in our "VIP" tariff plan. We limit our credit exposure to dealers by controlling the cash flow from customers. If a new customer pays in cash, the dealer

remits the full amount received to us within three days. If the customer chooses to pay by bank transfer or by credit card, the customer pays us directly, and we pay the dealer its commission after the end of the month.

Prior to 2006, in Russia, we paid the full amount of commission when a dealer activated a subscriber's contract. If such subscriber's usage of our voice and non-voice services over the following six-month period amounted to less than the amount of the dealer's commission, the dealer was required to reimburse the difference to us. Commencing January 1, 2006, we began linking commissions payable to a dealer on a monthly basis to the amount of revenues we receive. In the six-month period from the date a subscriber is activated by a dealer, such dealer receives the lesser of the full commission amount or 50% of the revenues received from the subscriber during the period. We believe that this method for paying commissions to dealers provides dealers with greater incentives to renew subscriptions, reduces the risk of dealer fraud and improves our cash-flow management, as dealers are not credited after a subscriber is activated.

During 2005, approximately 85% of our new subscribers enrolled through independent dealers in Russia and 94% in Ukraine, and we enrolled the remainder directly. We intend to continue expanding our internal distribution network, as well as our independent dealer distribution network. Independent dealers have also begun servicing some aspects of our subscribers' accounts, such as the switching on and off of additional services and payment collection.

As the geographic range of our network expands, we expect to increase the number of distribution points, primarily through increasing the number of dealers under contract with us and creating joint ventures with local partners to act as our dealers.

Competition

The Russian wireless telecommunications market

The Russian wireless telecommunications market is characterized by rapid growth in subscribers and revenues and increasing consolidation among a few large national operators. As of December 31, 2005, overall wireless penetration in Russia was 86.6%, or approximately 125.8 million subscribers, according to AC&M-Consulting.

Demand for wireless communications services in Russia has grown rapidly over the last ten years due to rising disposable incomes, increased business activity and declining prices due to intensified competition among wireless communications providers. The Russian market has achieved high levels of penetration in Moscow and St. Petersburg, with more than 135 and 118 subscribers per 100 residents, respectively, at December 31, 2005, according to AC&M-Consulting. Regional markets remained relatively under-penetrated, with an average of less than 78 subscribers per 100 residents.

The following table sets forth key data on Russia's wireless telecommunications market:

	As of December 31,				
	2001	2002	2003	2004	2005
	(Amounts in millions, except for percentages)				
Subscribers ⁽¹⁾	8.0	18.0	36.2	74.4	125.8
Subscriber penetration	4%	12%	25%	51%	87%

Source: AC&M-Consulting.

⁽¹⁾ Based on registered subscribers (SIM cards only). There is no uniform definition of active subscribers in the Russian wireless market.

According to AC&M-Consulting and our own data, we accounted for 45.1% and 44.6% of subscribers in Moscow, 32.2% and 32.7% of subscribers in St. Petersburg and 35.7% and 35.2% of total Russian subscribers as of December 31, 2004 and 2005, respectively.

The competition has evolved in recent years to exist primarily between us, Vimpelcom and MegaFon, each of which has effective national coverage in Russia. Competition today is based largely on local tariff prices and secondarily on network coverage and quality, the level of customer service provided, roaming and international tariffs and the range of services offered. For a description of the risks we face from increasing competition, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—We face increasing competition that may result in reduced operating margins and loss of market share, as well as different pricing, service or marketing policies.”

The following table illustrates the number of wireless subscribers for each network operator in Russia as of December 31, 2003, 2004 and 2005:

<u>Operator</u>	<u>As of December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
MTS ⁽¹⁾	13.4	26.5	44.2
Vimpelcom ⁽¹⁾	11.4	25.7	43.1
MegaFon group ⁽¹⁾	6.3	13.6	22.8
Others ⁽²⁾	5.1	8.0	15.7

(1) Subscriber information based on the relevant operator’s data.

(2) Source: AC&M-Consulting.

Vimpelcom

Vimpelcom, which operates GSM 900/1800 networks, is one of our primary competitors in Russia, and it is the second largest GSM wireless operator in Russia in terms of subscribers. We believe that Vimpelcom will continue to be our primary competitor for the foreseeable future.

According to Vimpelcom, it had approximately 43.1 million subscribers in Russia at December 31, 2005, including 9.3 million in the Moscow license area. At December 31, 2005, according to AC&M-Consulting, Vimpelcom had a 40.8% market share in Moscow and a 34.3% market share of total wireless subscribers in Russia.

MegaFon

In addition to Vimpelcom, we also compete with MegaFon, which is the third largest operator in Russia in terms of subscribers. The MegaFon group holds GSM 900/1800 licenses to operate in all 88 regions of the Russian Federation.

According to MegaFon, it had a subscriber base of 22.8 million in Russia at December 31, 2005, including 3.2 million subscribers in the Moscow license area. At December 31, 2005, according to AC&M-Consulting, MegaFon had a 37.1% market share in St. Petersburg and an 18.1% market share of total wireless subscribers in Russia.

Other Operators

In addition to our principal competitors, Vimpelcom and MegaFon, we also compete with local GSM and D-AMPS operators in several Russian regions.

In certain regions of the Urals part of Russia, our primary competitor is Uralsvyazinform, which had approximately 3.8 million subscribers as of December 31, 2005. In certain regions of the Volga part of Russia, we compete with SMARTS, which had approximately 2.8 million customers as of December 31, 2005. The preceding subscriber numbers, in each case, are according to AC&M-Consulting.

The Ukrainian wireless telecommunications market

Since 2003, the Ukrainian wireless telecommunications market has enjoyed rapid growth, in part, due to broader economic recovery in Ukraine, changes in ownership of the two major operators and the more recent introduction of calling-party pays billing arrangements. In 2005, overall wireless penetration in Ukraine increased from 29.1% to 64.0%, or approximately 16.1 million subscribers, according to various press releases from Ukrainian mobile operators.

The following table shows the number of subscribers as of the dates indicated and the coverage area of UMC and our competitors in Ukraine:

<u>Operator</u>	<u>December 31, 2004</u>	<u>December 31, 2005</u>	<u>Coverage Area</u>
	(amounts in thousands)		
Kyivstar	6,252	13,925	Nationwide
UMC	7,373	13,327	Nationwide
DCC/Astelit	85	2,390	Nationwide
URS/Vimpelcom	50	210	Major cities and towns
Golden Telecom	60	51	Kiev, Odessa
Others	50	31	Major cities

Source: Subscriber information based the relevant operator's data.

In Ukraine, we compete primarily with Kyivstar, a GSM operator with 13.9 million subscribers as of December 31, 2005. Kyivstar is owned by Telenor and Alfa Group. Kyivstar offers wireless services using GSM 900 and GSM 1800 technologies. DCC holds a license to provide wireless cellular services using the D-AMPS standard and, through its subsidiary Astelit, holds a GSM-1800 license. In addition, Turkcell has acquired a controlling interest in DCC. Golden Telecom Ukraine, which is beneficially owned by Alfa Group, Telenor and Rostelecom, offers wireless services using GSM 1800 technology.

The Uzbekistan wireless telecommunications market

The Uzbekistan wireless telecommunications market is characterized by low penetration rates. In 2005, overall wireless penetration in Uzbekistan increased from 2% to 4%, or approximately 510,000 subscribers, according to Informa (UK).

The following table shows the number of subscribers as of the dates indicated and the coverage area of Uzdunrobita and our competitors in Uzbekistan:

<u>Operator</u>	<u>December 31, 2004</u>	<u>December 31, 2005</u>	<u>Coverage Area</u>
	(amounts in thousands)		
Uzdunrobita (MTS)	310.0	580.3	Nationwide
Unitel (Vimpelcom)	121.6	298.4	Nationwide
Coscom	65.1	103.7	Nationwide
Others (Uzmaikom GSM, Buztel GSM)	46.6	71.0	Major cities

Source: Subscriber information based the relevant operator's data.

Uzdunrobita offers wireless services using TDMA, GSM 900 and GSM 1800 technologies. In Uzbekistan, we compete primarily with Unitel, a GSM operator owned by Vimpelcom with 298,370 subscribers as of December 31, 2005. We also compete with Coscom, which provides wireless services in Uzbekistan using GSM 900/1800 technology and is owned by MCT Corporation, Telenor and Rostelecom.

Tariffs

We customize our marketing efforts and pricing policies in each region of Russia by considering such factors as average income levels, the competitive environment and subscriber needs in a particular region, all of which vary from region to region. Consistent with our marketing strategy, we have developed new tariff plans to appeal to a broader market.

We launched our “Jeans” brand tariff plans geared at mass-market subscribers on November 15, 2002, in Moscow and in 37 other regions in Russia. “Jeans” tariffs were launched in Ukraine in August 2003. The “Jeans” brand is comprised of a set of prepaid tariffs that generally include features such as no monthly subscription fee, per-second billing, free incoming calls from MTS subscribers and, for certain tariff plans, advance payment credit expiration dates. Our “Jeans” tariff subscribers in Russia receive all incoming calls free of charge from other MTS subscribers and, in many regions, from subscribers of other mobile operators. As of December 31, 2005, Jeans subscribers accounted for 79% of our total subscribers and 88% and 48% of our subscribers in Russia and Ukraine, respectively. In addition, we offer a second set of prepaid tariffs in Ukraine marketed under the “SIM-SIM” brand. As of December 31, 2005, “SIM-SIM” subscribers accounted for 42% of our subscribers in Ukraine.

In October 2005, we introduced additional monthly tariff plans to offer our subscribers a greater variety of value-added services and pricing options than the previous tariff structure. All of our monthly tariff plans combine different monthly network access fees (with the exceptions of the “Jeans” tariff plans), per minute usage charges and value-added services in packages designed to appeal to different market segments. The tariff plans are divided into four categories—“Jeans,” “Profi,” “Exclusive” and “Corporate”—with each category designed to target specific segments as follows:

- *Jeans*: In addition to the description above, we have adopted an easy-to-use system of choosing from up to five different “Jeans” tariff plans. After subscribers first acquire the basic “Jeans” plan, they may send an SMS message to choose from five tariff plans each with different per minute call fees.
- *Profi*: “Profi” tariff plans are geared toward heavy users who use their mobile phones for personal and business communications. These plans feature monthly fees for a certain predetermined number of minutes and low fees for subscribers who exceed this limit. “Profi” subscribers choose between a local and federal number with the local number being more expensive, and from a wide range of value-added services, including caller ID, or CLIP, conference calling, call transferring and call waiting/holding. Regular subscribers of the “Profi” plans are provided an additional 15% discount on their local and mobile calls and a 15% increase of allotted minutes at no extra charge.
- *Exclusive*: “Exclusive” tariff plans are designed for heavy users who call primarily within the Moscow region. “Exclusive” subscribers are provided an unlimited number of local minutes, an opportunity to pay through our credit payment system and access to personal customer care service. For those “Exclusive” subscribers issued a local number, monthly fees are up to \$212 and those using a federal number pay up to \$118 per month. In addition, regular “Exclusive” subscribers receive a 15% discount.
- *Corporate*: We offer four different tariff plans in each region targeted to meet the demands of our corporate clients. These plans feature specialized customer care, payment through our credit system and volume and tenure discounts. In addition, we provide customized pricing offers and technical solutions to our biggest clients.

Although we offer the same categories of tariff plans throughout Russia, the prices of these plans differ from region to region taking into account such factors as the average income, competitive environment and subscriber needs in a particular region. Generally speaking, our tariff plans are more expensive in the Moscow license area. We introduced a unified system of tariff plans to achieve such benefits as better perception of tariff plans and clarity, simplicity and transparency for prospective

subscribers throughout Russia. In addition, we introduced additional tariff plans with different connection fees, per minute call charges and a wide range of value-added services.

By advertising on a national rather than regional or local level, we have been able to streamline and reduce our advertising and marketing expenses through unified advertising campaigns throughout Russia. Furthermore, we are able to convey to consumers a more uniform perception of our brand and services.

Our tariff plans offer a variety of pricing schemes. The following description of tariffs and charges are, in each case, exclusive of VAT. As of December 31, 2005, the per-minute tariff for calls to Moscow from Moscow (including Jeans tariff plans) varied from \$0.06 per minute to \$0.23 per minute. The per minute prices in the regions outside of the Moscow license area (including Jeans tariff plans) ranged from \$0.02 per minute to \$0.35 per minute; in St. Petersburg tariffs varied from \$0.05 per minute to \$0.12 per minute. Higher rates apply to domestic long distance calls and we assessed a surcharge for all international calls that ranged from \$1.29 per minute (Moscow) for calls to Europe to \$1.99 per minute (Moscow) for calls to Africa. Our value-added services, such as Caller ID and Call Waiting, are sometimes included in the plan at no additional charge and sometimes carry a charge of up to \$2 per month, depending on the plan and the region.

We also offer unified tariff plans in all territories of Ukraine in which we operate, including private contract, business and prepaid plans. In addition, we developed new tariff plans for Ukraine that focus on the differing needs of subscribers in the various market segments during 2005. These new plans are divided into three categories, each promoted under its own name, and offer a wide variety of monthly paid contracts, including packages with unlimited traffic. For example, SIM-SIM tariffs comprise a family of prepaid plans offering universal tariffs noted for their simplicity, as well as special reduced tariffs for calls made within the UMC network, for calls made to preferred designated numbers and for heavy SMS users, among others. Jeans tariff plans also offer special reduced tariffs for calls made and SMSs sent within the UMC network. UMC Business tariff plans are targeted for corporate users offering discounted tariffs for calls made between intra-company users.

As of December 31, 2005, the standard per minute prices in Ukraine varied from \$0.15 per minute to \$0.25 per minute. The standard per minute price for calls made within the UMC network ranged from \$0.09 per minute to \$0.20 per minute. Higher rates applied to international calls ranging from \$0.53 per minute to \$3.56 per minute during peak periods and from \$0.20 per minute to \$2.07 per minute during off-peak and night periods.

Customer Payments and Billing

We enroll new subscribers, except for certain corporate clients, in an advance-payment program, under which the subscriber prepays a specific amount of money to use our services. As of December 31, 2005, approximately 98.6% of our consolidated subscriber base was enrolled in the advance-payment program and 1.4% used the credit system.

Our advance-payment system monitors each subscriber account and sends a seven-day advance warning on the subscriber's mobile telephone when the balance on the subscriber's account decreases below a certain threshold, which is approximately the average consumption by the subscriber for a ten-day period. Then the system sends a telephonic reminder or SMS twice in the following seven-day period and an additional reminder one day prior to termination, including the current level of the subscriber's remaining balance and a recommendation as to the sum that should be advanced to us based on the subscriber's historical usage.

Under the credit payment system, customers are billed monthly in arrears for their network access and usage. If the invoice is not paid on time, the customer may be liable for a late payment charge of up to 0.3% of the amount due for each day payment is past due. We limit the amount of credit extended to

customers based on the customer's payment history, type of account and past usage. As of December 31, 2005, subscribers using the credit system of payment had a maximum credit limit of \$1,000. When the limit is reached, the subscriber receives an invoice, which must be paid within five days. If the subscriber fails to do so, we block the telephone number until the invoice is settled. We actively manage our subscriber base to migrate existing credit payment customers to the advance-payment system. However, existing credit payment customers may continue to use their old tariff plan as long as their accounts remain in good standing.

The migration of our "Jeans" subscribers onto a new billing system was completed in 2005 for the large majority of the subscribers. We plan to migrate the remaining "Jeans" subscribers onto the new billing system by the end of 2006.

In 2005 and the first half of 2006, our tariffs in Russia were primarily quoted in currency units equivalent to U.S. dollars, except for some regions of Russia where tariffs are quoted in rubles. Invoices quoted in U.S. dollar-equivalent units specify the amount owed in such units and require translation into rubles in order to make payments. We intend to move to ruble-denominated tariffs and invoicing in the future and, to that end, we introduced a fixed exchange rate for converting U.S. dollar-denominated tariffs and charges into Russian rubles in 2006. We offer our subscribers various ways to pay for our services, including by cash or credit card, wire transfer, on account, prepaid cards and express-payment cards.

All tariffs for UMC subscribers are quoted in hryvnias. We offer our subscribers in Ukraine various ways to pay for our services, including by cash or credit card, wire transfer, on account and prepaid cards.

Customer Service

We believe that to attract and retain customers, we must provide a high level of service in the key areas of customer assistance, care and billing. In most markets in which we operate, we have a call center that provides customer service 24 hours a day, seven days a week. Customer service representatives answer inquiries regarding disconnection due to lack of payment, handset operation, roaming capabilities, service coverage and billing. A special group of customer service representatives handles customer claims and assists customers who wish to change their services.

With the aim of improving the quality of our customer service and optimizing our expenses, we began the reorganization of our call centers into consolidated macro-regional contact centers in 2004. The aim of the project is to transform our call centers into effective channels for client relationship management, or CRM, offering a full range of services and CRM functions.

In connection with this reorganization, we are establishing Customer Retention departments in each of our macro-regions to develop and implement customer retention programs with respect to all key customer segments and each of our primary service offerings. Our customer retention personnel will handle customer claims and suggestions, as well as follow up with those customers who disconnected from our network to understand the reasons for the disconnection and properly respond to the changing needs of our customers.

We also have a number of Credit Control employees in each region to manage bad debts and credit restrictions. In addition, we further improved our walk-in centers and combined offices for sales and customer service in the regions in 2005.

In addition, in 2005, we successfully launched in Moscow the intellectual routing of calls designed to provide our more valuable and loyal customers quicker access to customer support services when calling us. We plan to adopt this advanced customer service technology in each of the regions we operate during 2006.

Network Technology

We believe that geographic coverage, capacity and reliability of the network are key competitive factors in the sale of mobile cellular telecommunications services. Our network is based primarily on GSM 900 infrastructure, augmented by GSM 1800 equipment. We use GSM 1800 equipment in high-use areas, because 1800 MHz base stations are more efficient in relieving capacity constraints in high traffic areas. Although there is no difference in quality between GSM 900 and GSM 1800 services, the higher-frequency 1800 MHz signals do not propagate as far as 900 MHz signals. As a result, more 1800 MHz base stations are typically required to achieve the same geographic coverage. Accordingly, in regions where geographic coverage, rather than capacity, is a limiting factor, networks based on GSM 900 infrastructure are typically superior to those based on GSM 1800, because they require fewer base stations to achieve coverage and, therefore, cost less. In most markets, including Russia and Ukraine, the most efficient application of GSM technology is to combine GSM 900 and GSM 1800 infrastructure in a unified network, which is commonly referred to as a dual-band GSM network.

Network Infrastructure

We use switching and other network equipment supplied by Motorola, Siemens, Ericsson, Huawei, Alcatel and other major network equipment manufacturers.

In the Moscow license area, we have allocated frequencies spanning 2×11.4 MHz of spectrum in the GSM 900 frequency band and 2×24.6 MHz of spectrum in the GSM 1800 frequency band for operation of a dual GSM 900/1800 network.

In St. Petersburg and the Leningrad region, we have allocated frequencies spanning 2×9.6 MHz of spectrum in the GSM 900 frequency band (including 2×1.6 MHz in the E-GSM band) and 2×18.2 MHz of spectrum in the GSM 1800 frequency band for operation of a dual GSM 900/1800 network.

We have frequencies allocated to us for the operation of GSM 900 and GSM 1800 frequency bands in all regions of Ukraine. The radio frequencies allocated to us for the operation of GSM 900 span from 2×2.8 MHz of spectrum in the Kiev and Zakarpattya regions to 2×5.2 MHz in Kiev city. We also have been allocated frequencies spanning from 2×16.0 MHz in the Tchernigov region to 2×26.4 MHz in the Dnepropetrovsk region for operation of GSM 1800 base stations. In addition, we have applied for an additional 137.6 MHz of GSM 1800 frequency allocations for 19 major license areas in Ukraine and intend to apply for additional frequency allocations in the 1800 MHz band.

We believe that we have been allocated adequate spectrum in each of our license areas.

GPRS and Internet Access

In many regions, we have upgraded our network to enable us to offer GPRS services, which permit our subscribers access to the Internet, WAP and MMS. As of December 31, 2005, GPRS services were available to our subscribers in 78 regions in Russia, including major metropolitan areas such as Moscow, St. Petersburg and Novosibirsk. We also offered GPRS services in all regions of Ukraine. In addition, we introduced international GPRS roaming to our subscribers in 2004, enabling them to use various GPRS-based services while traveling abroad.

In 2004, we entered into an exclusive strategic partnership with NTT DoCoMo under which we launched the i-mode mobile internet platform in all the macro-regions of Russia during 2005, except the Far East, where the i-mode platform was launched in June 2006. Through i-mode, subscribers are offered easy access to numerous internet sites with premium content, email and other applications using specialized handsets developed especially for i-mode users.

We also entered into an agreement with Research In Motion in May 2005 to offer BlackBerry services to our subscribers in Russia. We plan to launch BlackBerry as soon as we receive approval from the Federal Service for Supervision in the Area of Communications. BlackBerry services will enable our subscribers to easily access e-mail, phone, text messaging, Internet, organizer and corporate data applications from a single, integrated device. It will operate on our GSM/GPRS network in Russia with international roaming supported in the countries where we have GPRS roaming agreements.

In addition, we launched a trial program for our EDGE services in the Samara region in December 2004. EDGE is a high-speed, high-quality data transfer application capable of transmitting streamline video and TV programs onto mobile phones. In 2005, we commercially launched EDGE services in the Moscow metropolitan area. We plan to expand EDGE services in 2006 to cover the most developed markets where we operate.

Third-Generation Technology

Third-generation networks, using UMTS technology, will allow subscribers to send video images and access the Internet using their handsets at transmission speeds of up to 2 Mbps per second. We have conducted trials of third-generation networks utilizing rented network equipment. The 3G Association, an industry group charged with advising the Ministry of Information Technologies and Communications of the Russian Federation on the procedure for allocating third-generation licenses and regulating third-generation operations, has proposed that we, Vimpelcom and MegaFon each be issued a third-generation license, and that a fourth license be issued to a fourth operator. Although the government was expected to announce the license allocation procedure during 2005 and issue the licenses during 2006, to date, no allocation procedures have been announced. We currently do not include the costs for the initial buildout of our third-generation network in our capital expenditure plans and, at present, cannot estimate the expenditures that will be required.

Base Station Site Procurement and Maintenance

The process of obtaining appropriate sites requires that our personnel coordinate, among other things, site-specific requirements for engineering and design, leasing of the required space, obtaining all necessary governmental permits, construction of the facility and equipment installation. In Russia, we use site development software supplied by Lucent Technologies to assess new sites so that the network design and site development are coordinated. Our software in Russia and Ukraine can create digital cellular coverage maps of our license areas, taking into account the peculiarities of the urban landscape, including the reflection of radio waves from buildings and moving automobiles. Used together, these software tools enable us to plan base station sites without the need for numerous field trips and on-site testing, saving us considerable time and money in our network buildout.

Base station site contracts are essentially cooperation agreements that allow us to use space for our base stations and other network equipment. The terms of these agreements range from one to 49 years, with the term of a majority of agreements being three to five years. Under these agreements, we have the right to use premises located in attics or on top floors of buildings for base stations and space on roofs for antennas. In areas where a suitable base station site is unavailable, we construct towers to accommodate base station antennae. We anticipate that we will be able to continue to use our existing GSM 900 base station sites and to co-locate GSM 1800 base stations at some of the same sites.

To provide quality service to subscribers, our maintenance department, staffed 24 hours per day, performs daily network integrity checks and responds to reported problems. Our technicians inspect base stations and carry out preventative maintenance at least once every six months.

Interconnect Arrangements and Telephone Numbering Capacity

Cellular operators must interconnect with local, inter-city and international telephony operators to obtain access to their networks and, via these operators, to the networks of other operators around the world. We have local interconnection agreements, including agreements for the provision of telephone numbering capacity, with several telecommunications operators in Moscow and in the other regions and in Ukraine, including the public switched telephone network operator in the city of Moscow, MGTS, as well as MTU-Inform and Telmos, all of which are affiliated with Sistema, and Ukrtelecom, UTEL, Golden Telecom and other public switched telephone network operators in Ukraine. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.” For use of 11-digit telephone numbering capacity and the associated interconnection, we have agreements with Rostelecom. Local interconnection typically entails payment of a one-time connection fee, a monthly fee per subscriber connected and a usage charge based on minutes of traffic, or some combination thereof.

To provide our subscribers in Russia with domestic long-distance services, we have interconnection agreements with Rostelecom and Interregional Transit Telecom, or MTT, and, to provide international services, with Rostelecom and Golden Telecom. MTU-Inform and Telmos also provide domestic long-distance and international services through interconnection with Rostelecom’s network. Most interconnection fees are based on usage by minute and vary depending on the destination called.

Russian legislation requires that public switched telephone networks may not refuse to provide interconnection or discriminate against one operator in comparison to another; in practice, however, it has been our experience that some regional network operators do discriminate among mobile cellular operators by offering different interconnection rates to different mobile operators. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—If we cannot interconnect cost-effectively with other telecommunications operators, we may be unable to provide services at competitive prices and therefore lose market share and revenues.” Certain interconnection fees are subject to government regulation, such as those set by Rostelecom.

The Ministry of Information Technologies and Communications has allocated special numbering codes for “federal” 11-digit telephone numbers on a non-geographical basis for all cellular operators. We believe that we have been allocated sufficient numbering capacity for the development of our network. However, a combination of regulatory, technological and financial factors has led to the limited availability of “local” 7-digit telephone numbering capacity in Moscow and the Moscow region. Moscow’s “495” code and the Moscow region’s “496” code have already reached numbering capacity limits. To meet subscriber demand and provide for an adequate inventory of numbering capacity, we used to enter into contracts with local fixed line providers for allocation of numbering capacity to us. However, the regulator recently took the view that numbering capacity assigned to one operator could not be rented to other operators. Accordingly, we have entered into a new arrangement whereby fixed line operators make their numbers available to our subscribers via agency contracts between the subscribers and us acting on behalf of such fixed line operators. Our right to use numbering capacity ranges from five years to an unlimited period of time. As of December 31, 2005, we had numbering capacity (federal and local) for over 18.4 million subscribers in the Moscow license area. For a description of how we amortize the acquisition costs of numbering capacity, see Note 2 to our audited consolidated financial statements.

Interconnection and traffic transit between the networks of cellular operators in Russia is organized through the network of MTT, one of the largest alternative operators in Russia, or through direct channels connecting the switches of the different cellular operators located in one city.

In Ukraine, mobile operators are allocated numbering capacity by the NCRC. We believe that we have been allocated sufficient numbering capacity in Ukraine for the development of our mobile network. However, the numbering capacity for fixed network development (if we decide to utilize a local license granted to UMC) is insufficient.

Network Monitoring Equipment

We have operation and maintenance centers in Moscow, St. Petersburg, Nizhny Novgorod, Samara, Ekaterinburg, Omsk, Tomsk, Novosibirsk, Irkutsk, Kazan, Ufa, Krasnoyarsk, Chita, Blagoveshchensk, Vladivostok and Yuzhno-Sakhalinsk. We constantly control and monitor the performance of our network, call completion rate and other major key technical performance indicators. We use monitoring systems to optimize our network and to locate and identify the cause of failures or problems, and also to analyze our network performance and obtain network statistics. We have agreements with different suppliers for technical support services that allow us to obtain their assistance in trouble shooting and correcting problems with our network within the warranty period.

Our networks in Ukraine, Uzbekistan and Turkmenistan are monitored by our Kiev, Tashkent and Ashgabat operations and maintenance centers, respectively. In addition to monitoring performance of the network, our Kiev, Tashkent and Ashgabat operations and maintenance centers analyze network quality parameters and provide reports and recommendations to management.

Handsets

We and our dealers also offer an array of mobile telephone accessories, with the average new subscriber spending between \$5 to \$50 on such accessories in addition to the cost of the handset.

Almost all of our handset sales consist of dual-band GSM 900/GSM 1800 handsets. These dual-band handsets are currently in widespread use on networks in Western Europe and, because they send and receive communications on both GSM 900 and GSM 1800 frequencies, they can relieve possible congestion on our network and increase the ability of our customers to roam. We also offer our subscribers tri-band handsets. These handsets, which function in the GSM 900, GSM 1800 and PCS-1900 standards, provide users with greater automatic roaming possibilities in Russia, Europe, the United States and Canada. We generally do not offer handset subsidies in Russia but do offer them in Ukraine. For the year ended December 31, 2005, we provided net handset subsidies of \$57.2 million in Ukraine. These subsidies are expected to be compensated within two years of a subscriber's enrollment though the subscriber's usage of our services. However, in view of the experience and practice of mobile services providers in more mature markets, increased competition may compel us to more heavily subsidize handsets in the future.

We have entered into arrangements with Sony Ericsson, Nokia, Motorola, Philips, Panasonic, Samsung, Siemens, Benetton, Alcatel and others to purchase handsets. We offer approximately 80 GSM 900/GSM 1800 handset models, the majority of which are manufactured by Sony Ericsson, Nokia, Siemens and Motorola. We are not dependent on any particular supplier for handsets. The handset manufacturers provide training to our sales force, customer service personnel, dealers and engineering staff and cooperate with us on marketing and promotion. To ensure quality control and to maintain the MTS brand image, we encourage our dealers to purchase handsets for use on our network directly from us. Typical dual-band handsets range in cost from approximately \$50 to \$650.

Regulation in the Russian Federation

In the Russian Federation, the federal government regulates telecommunications services. The principal law regulating telecommunications in the Russian Federation is the Federal Law on Communications, which provides, among other elements, for the following:

- licensing of telecommunications services;
- requirements for obtaining a radio frequency allocation;
- equipment certification;

- equal rights for individuals and legal entities, including foreign individuals and legal entities, to offer telecommunications services;
- fair competition;
- freedom of pricing other than pricing by companies with monopoly power; and
- liability for violations of Russian legislation on telecommunications.

The new Federal Law on Communications came into force on January 1, 2004 and replaced the law of 1995 regulating the same subject matter. The Federal Law on Communications creates a framework in which government authorities may enact specific regulations. Regulations enacted under the legislative framework in place prior to enactment of the Federal Law on Communications continue to be applied to the extent they do not conflict with the Federal Law on Communications. The lack of interpretive guidance from the regulatory authorities regarding the new regulations and the uncertainty surrounding their compatibility with the regulations still in effect impedes our ability to assess effectively the impact of the new regulations under the Federal Law on Communications on our business.

The Federal Law on Communications, which confers broad powers to the state to regulate the communications industry, including the allocation of frequencies, the establishment of fees for frequency use and the allocation and revocation of numbering capacity, significantly modifies the system of government regulation of the provision of communications services in Russia. In particular, while under the previous law the Ministry of Communications issued licenses for the provision of wireless communications services at its own discretion, under the new law, licenses to provide communications services in territories where frequency and numbering capacity are limited may be issued only on the basis of a tender. In addition, the new law provides for the establishment of a “universal services reserve fund” to be funded by a levy imposed on all telecommunications service providers, including us. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Russian Federation and Ukraine—Legal Risks—The implementation of the Federal Law on Communications imposed an additional financial burden on us and may restrict our operations, which could materially adversely affect our financial condition and results of operations.” The Federal Law on Communications also attempts to simplify the succession of licenses to merged or otherwise reorganized companies by instituting a license re-issuance procedure, whereas under the previous law, merged or reorganized companies were required to apply to the Ministry of Communications for the issuance of a new license in such circumstances.

Regulatory Authorities

The Russian telecommunications industry is regulated by several governmental agencies. These agencies, whose functions are not always clearly defined, form a complex, multi-tier system of regulation that resulted, in part, from the implementation of the Federal Law on Communications, as well as from the March 2004 large-scale restructuring of the Russian government. The system of regulation is still evolving and further changes are expected. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Russian Federation and Ukraine—Political and Social Risks—Political and governmental instability could materially adversely affect our business, financial condition, results of operations and prospects and the value of our ADSs.”

The Ministry of Information Technologies and Communications is the federal executive body that develops and supervises the implementation of governmental policy in the area of communications and coordinates and controls the activities of its subordinate agencies. The Ministry may issue regulations in the area of communications if authorized to do so by federal legislation (including presidential and governmental decrees).

The following bodies, each of which is subordinate to the Ministry of Information Technologies and Communications, also regulate the telecommunications industry.

The Federal Service for Supervision in the Area of Communications is a federal executive body that supervises and controls certain areas of communications and information technologies, including:

- the issuance of licenses and permissions in the area of communications and information technologies;
- the registration of radio-electronic and high-frequency equipment;
- the technical supervision of networks and network equipment throughout Russia;
- the monitoring of compliance by network operators with applicable regulations, terms of their licenses and terms of the use of frequencies allocated to them; and
- the enforcement of equipment certification requirements.

The Federal Agency of Communications is a federal executive body that implements governmental policy, manages state property and provides public services in the area of communications, including:

- the allocation of radio frequencies based on decisions taken by the State Radio Frequencies Commission and registration of such allocations;
- the allocation of numerical resources;
- the certification of equipment for compliance with technical requirements;
- the examination of electromagnetic compatibility of equipment with existing civil radio-electronic equipment; and
- the organization of tenders with respect to licenses in the sphere of communications.

State Radio Frequencies Commission. The State Radio Frequencies Commission is an inter-agency coordination body acting under the Ministry of Information Technologies and Communications which is responsible for the regulation of radio frequency spectrum and develops a long-term policy for frequency allocation in the Russian Federation.

Other regulatory authorities. In addition, the Federal Antimonopoly Service supervises competition regulations and enforces the Federal Law on the Natural Monopolies and the regulations enacted thereunder. The Federal Tariffs Service regulates certain tariffs in the sphere of telecommunications, including the tariffs on the local and DLD calls by subscribers of PSTNs and installation and subscription fees. The Federal Service for Supervision in the Area of Consumer Rights Protection and Human Well-Being is responsible for the enforcement of sanitary regulations, including some authority over the location of telecommunications equipment, and supervises the compliance of companies with the regulations relating to the protection of consumer rights. The Federal Registration Service is responsible for registering certain telecommunications infrastructure that is considered real property in accordance with Government Decree No. 68 dated February 11, 2005.

Licensing of Telecommunications Services and Radio Frequency Allocation

Telecommunications licenses are issued based on the Regulations on Licensing in the Field of Telecommunications in the Russian Federation, enacted in June 1994, as amended, and, with regard to wireless telecommunications services, on the Approval of Regulations for Holding a Competitive Tender for Receipt of Licenses Associated with the Provision of Cellular Radiotelephone Services, enacted in June 1998. Under these regulations, licenses for telecommunications services were issued and renewed for periods ranging from three to fifteen years. Under the new law, effective January 1, 2004, licenses may be issued and renewed for periods ranging from three to twenty-five years. Several different licenses to conduct different communication services may be issued to one entity. Provided the licensee has conducted

its activities in accordance with the applicable law and terms of the license, renewals may be obtained upon application to the Federal Service for Supervision in the Area of Communications. Officials of the Federal Service for Supervision in the Area of Communications have broad discretion with respect to both issuance and renewal procedures.

A company must complete a multi-stage process before the commercial launch of its communications network. A company must:

- receive a license from the Federal Service for Supervision in the Area of Communications to provide communications services;
- obtain approval to use specific frequencies within the specified band from the State Radio Frequencies Commission and the Federal Agency of Communications if providing wireless telecommunications services; and
- obtain permission from the Federal Service for Supervision in the Area of Communications for network operations. To receive this permission, a wireless telecommunications services provider must develop a frequency allocation and site plan, which is then reviewed and certified by the Federal Service for Supervision in the Area of Communications for electromagnetic compatibility of the proposed cellular network with other radio equipment operating in the license area. The Federal Service for Supervision in the Area of Communications has discretion to modify this plan, if necessary, to ensure such compatibility.

Under the old Federal Law on Communications and related licensing regulations, the transfer of a license, including assignment or pledge of a license as collateral, was prohibited except for transfer of licenses for the provision of wireless telecommunications services awarded through a competitive tender. Effective January 1, 2004, the prohibitions on the transfer of licenses were relaxed and, in particular, in case of mergers, licenses may be re-issued upon application by a transferee as a new license holder following the transfer. Additionally, the Ministry of Communications has declared that agreements on the provision of telecommunications services must be concluded and performed by the license holder.

If the terms of a license are not fulfilled or the service provider violates applicable legislation, the license may be suspended or terminated. Licenses may be suspended for various reasons, including:

- failure to comply with Russian law or the terms and conditions of the license;
- failure to provide services for over three months from the start-of-service date set forth in the license; and
- annulment of a frequency allocation if it results in the inability to render communications services.

In addition, licenses may be terminated for various reasons by the court, including:

- failure to remedy in a timely manner a violation that led to the suspension of the license;
- provision of inaccurate information in documents on the basis of which a license was issued; and
- failure to fulfill obligations undertaken in the process of a tender or auction.

The license may also be terminated in a number of cases, including liquidation of a license holder or failure to pay a license fee on time. A suspension or termination of a license may be appealed in court.

Frequencies are allocated for a maximum term of ten years, which may be extended upon the application of a frequency user. Under the Federal Law on Communications, frequency allocations may be changed for purposes of state management, defense, security and protection of legal order in the Russian Federation with the license holder to be compensated for related losses. Further, frequency allocations

may be suspended or terminated for a number of reasons, including failure to comply with the conditions on which frequency was allocated.

The following one-time license fees are payable in respect of each region covered by the license: 15,000 rubles, for services involving use of a frequency spectrum, lease of communication channels running beyond one region of Russia as well as in number of other cases specified by law; and 1,000 rubles in other cases. The license fee for a license received through a tender or auction is determined by the terms of such tender or auction.

In addition to licensing fees, a government decree enacted on June 2, 1998 requires payment of fees for the use of radio frequencies for cellular telephone services. The payment procedure was established by a government decree enacted on August 6, 1998, which requires that all wireless telecommunications services operators pay an annual fee set by the State Radio Frequencies Commission and approved by the Federal Antimonopoly Service for the use of their frequency spectrums. Additionally, as prescribed in government decree No. 223 on Reorganization of the System of State Surveillance over Telecommunications, dated April 26, 2004, operators must make monthly payments to fund supervisory services in the communications sphere. In 2004, this fee amounted to 0.3% of revenues generated from the provision of communications services. The fee was abolished from 2005. Furthermore, the Federal Law on Communications provides for the establishment of a “universal services reserve fund” for the purpose of supporting telecommunications companies operating in less developed regions of Russia through the financing, construction and maintenance of telecommunications networks in low-profit and unprofitable sectors. This reserve fund is aimed at eliminating the practice of cross-subsidies by compensating operators for certain mandatory, loss-making local services in rural and sparsely populated areas. The universal service fund concept has been used in some developed countries and in Eastern Europe. It is funded by a levy imposed on all communication services providers, including us. The Federal Law on Communications mandated the government to determine the amount of the levy and the procedure for its collection. In April 2005, the government set, and we currently pay, this levy at 1.2% of the difference between our total revenues from telecommunications services and revenues generated by interconnection and traffic transit services. However, in February 2006, the Russian Constitution Court ruled that the amount of the levy must be determined by a federal law (rather than by a government decree) and instructed the legislature to adopt the necessary amendments to the Federal Law on Communications by January 1, 2007. Until such amendments are adopted, the current regulations remain valid and in effect. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Russian Federation and Ukraine—Legal Risks—The implementation of the Federal Law on Communications imposed an additional financial burden on us and may restrict our operations, which could materially adversely affect our financial condition and results of operations.”

The Federal Law on Communications empowers the Russian government to determine and annually review the list of licensing requirements applicable to various communication services being licensed. The most recent list of licensing requirements was enacted by Government Decree No. 87 dated February 18, 2005. Licenses also generally contain a number of other detailed conditions, including a date by which service must begin, technical standards and a schedule of the number of subscribers and percentage coverage of the licensed territory that must be achieved by specified dates. We have either commenced service by the applicable deadline or received an extension of the applicable deadline for all of our licenses.

Equipment Certification

A government decree adopted on December 31, 2004, sets forth the types of communications equipment that is subject to mandatory certification. Communications equipment must be certified, or its compliance with the established requirements must be declared and proved in the interconnected communications network of the Russian Federation, which includes all fixed line and wireless networks open to the public. All networks of our telecommunications subsidiaries must be certified. A government

decree on Regulation of Use of Equipment in the Interconnected Telecommunications Network, enacted on August 5, 1999 gives the Ministry of Information Technologies and Communications and the Federal Antimonopoly Service the right to restrict the use of certain equipment, including equipment manufactured outside Russia, and to set the technical requirements for the equipment used in the interconnected telecommunications network. The Federal Agency of Communications issues certificates of compliance with technical requirements to equipment suppliers based on the Agency's internal review. In addition, a Presidential decree requires that licenses and equipment certifications be obtained from the Federal Security Service to design, produce, sell, use or import encryption devices. Some commonly used digital cellular telephones are designed with encryption capabilities and must be certified by the Federal Security Service.

Further, certain high-frequency equipment, a list of which was approved by Government Resolution No. 539 of October 12, 2004, manufactured or used in the Russian Federation requires special permission from the Federal Service for Supervision in the Area of Communications. These permissions are specific to the entity that receives them and do not allow the use of the equipment by other parties. Failure to receive such certification could result in the mandatory cessation of the use of such equipment.

Competition, Interconnection and Pricing

The Federal Law on Communications requires federal regulatory agencies to encourage competition in the provision of communication services and prohibits the abuse of a dominant position to limit competition. The Federal Law on Communications provides that telecommunications tariffs may be regulated in cases provided for by legislation. Presidential Decree No. 221, enacted on February 28, 1995, on Measures for Streamlining State Regulation of Prices (Tariffs) allows for regulation of tariffs and other commercial activities of telecommunications companies that are "natural monopolies." Government Decree No. 637, dated October 24, 2005, authorized the Federal Tariffs Service to set the following tariffs for the natural monopolies in the communications market:

- provision of access to a local telephone network;
- permanent use of a subscriber's line; and
- local, intra-zone and DLD calls.

Although these regulations apply only to fixed line operators, we are still subject to them when receiving telephone calls from fixed lines.

In accordance with the Federal Law on Natural Monopolies, the Federal Tariffs Service maintains a Register of Natural Monopolies whose tariffs are controlled and regulated by the state. A telecommunications operator may be included in this register upon the decision of the Federal Tariffs Service based on the Service's analysis of the operator's activities and the market conditions. At present, none of our subsidiaries is included in the Register of Natural Monopolies.

The Federal Antimonopoly Service is authorized by law to maintain a register of companies holding a market share in excess of 35%. Companies entered in this register may become subject to certain restrictions in conducting their business, including limitations in decisions relating to price formation, geographical expansion, associations and agreements with competitors. Acquisitions of assets or shares in or by other entities involving such companies are subject to particular scrutiny by the Federal Antimonopoly Service. As of December 31, 2005, MTS OJSC and its subsidiaries Tomsk Cellular Communications LLC, CJSC Siberian Cellular System-900 and CJSC UDN-900 are categorized by the Federal Antimonopoly Service as companies with a market share exceeding 35%. See also "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—If we are found to have a dominant position in our markets, the government may regulate our tariffs and restrict our operations."

The Federal Law on Communications provides for a special regulation of PSTN operators occupying a “substantial position,” *i.e.*, operators which together with their affiliates have, in the Russian Federation generally or in a geographically defined specific numerical zone, 25% or more of installed capacity or capacity to carry out transmission of not less than 25% of traffic. In particular, the Federal Law on Communications and implementing rules adopted by Government Decrees No. 161, dated March 28, 2005 and No. 627, dated October 19, 2005, both effective from January 1, 2006, provide for government regulation of interconnection tariffs established by such operators. In addition, such operators will be required to develop standard interconnection contracts and publish them as a public offer for all operators who intend to use such interconnection services. Notwithstanding the above, fixed line operators not considered to occupy a “substantial position” and not included in the Register of Natural Monopolies, as well as mobile operators, are free to set their own tariffs.

In March 2006, the Federal Law on Communications was amended to incorporate a CPP scheme effective as of July 1, 2006. The impact of CPP on our operations will ultimately depend on the change in subscriber behavior and our ability to sign interconnection agreements with other mobile operators at a rate not lower than that set by the regulator for fixed to mobile call termination. Notwithstanding the above, we do not anticipate any significant negative impact on our operations as a result of the introduction of CPP.

Regulation in Ukraine

Regulatory Authorities

The State Department on Communications and Informatization, or SDCI (formerly the State Committee on Communications and Informatization, or SCCI), regulated the telecommunications industry through December 31, 2005 largely through the issuance of regulations, establishment of requirements relating to the quality of telecommunications services and technical requirements relating to telecommunications networks and facilities. The SDCI also oversaw the technical condition and development of the telecommunications industry, including the development of standards and technical rules and supervision of the GSM, D-AMPS, NMT and TDMA networks. The SDCI was established in September 2004 as a division of the Ministry of Transport and Communications of Ukraine, or MTCU. The MTCU was established in July 2004 as a result of the merger of the Ministry of Transport and the SCCI. The SDCI is headed by a director nominated by the Minister of Transport and Communications and appointed by the Cabinet of Ministers of Ukraine. Following the establishment of the NCRC in January 2005, which, as described below, assumed most of the SDCI’s functions, the SDCI remains responsible mainly for establishing and overseeing technical policies and standards.

The National Commission for the Regulation of Communications, or NCRC, established by the new Telecommunications Law described in “—Legislation” below, is an independent regulatory body consisting of seven members and a chairperson. The members and chairperson of the NCRC are nominated by the Prime Minister and appointed by the President of Ukraine for a five-year term. The NCRC is responsible for issuing licenses for telecommunications services commencing January 1, 2005, as well as various other responsibilities of the SDCI from that date. The SDCI, on the other hand, remains responsible mainly for establishing and overseeing technical policies and standards. The appointment of the initial members of the NCRC in April 2005 by the President of Ukraine was challenged in court by the previous NCRC members appointed in 2004. As a result, the NCRC was only able to commence operations in October 2005. However, the case is still pending in Ukraine’s Higher Administrative Court.

The State Center for Radio Frequencies of Ukraine, or SCRF. While licenses for radio frequencies for wireless communications are issued by the NCRC, SCRF is the authority responsible for all technical issues related to the use of radio frequency resources and, in such capacity, is also involved in the issuance of radio frequency licenses. In particular, the SCRF determines frequency availability and the technical aspects of frequency allocation, as well as provides the NCRC with an expert opinion in relation to each

application for radio frequency. The SCRF also monitors use of the frequencies and will continue monitoring compliance with the license terms and physically inspecting operators and providers of telecommunications services until the establishment of the State Inspection of Communications, as described below. The SCRF also independently issues individual permissions for the use of radio-electronic and radio-emitting equipment, its development, import, sale and purchase.

The State Inspection of Communications, or the SIC, established by the new Telecommunications Law, will be a division of the NCRC. The SIC will be responsible for the general supervision of the telecommunications market and the use of radio frequency resources. The SIC will also monitor compliance with license terms, physically inspect operators and providers of telecommunications services and, together with the SCRF, review cases relating to administrative violations in the areas of telecommunications and radio frequencies.

Legislation

The principal legislation regulating the telecommunications industry consists of the Law on Telecommunications dated November 18, 2003, or the Telecommunications Law, and the Radio Frequencies Law dated June 1, 2000, or the Radio Frequencies Law. The Radio Frequencies Law was amended in its entirety in June 2004.

The Telecommunications Law was implemented and the NCRC has begun regulating the telecommunications area and issuing telecommunications licenses. At the same time, certain regulations implementing the 1995 Communications Law (now repealed) and the Radio Frequencies Law prior to its amendment are still in effect, as are certain regulations enacted prior to the 1995 Communications Law and the Radio Frequencies Law. Telecommunications operators are required to comply with the Telecommunications Law and the Radio Frequencies Law, as well as with the older regulations to the extent that such regulations do not conflict with the Telecommunications Law or the 2004 amendments to the Radio Frequencies Law.

The Telecommunications Law provides for, among other things, equal rights for individuals and legal entities, including foreign entities, to offer telecommunications services, fair competition and freedom of pricing. The Telecommunications Law also sets forth the legal, economic and organizational framework for the operation of companies, associations and government bodies forming part of the telecommunications networks. The licensing of telecommunications services, the requirements for equipment certification and liability for violations of Ukrainian legislation on telecommunications are also determined by this legislation. The Telecommunications Law also governs the relations between the state and local governmental bodies, telecommunications operators and users of telecommunications services and radio frequencies.

The Telecommunications Law addresses new areas of telecommunications services in Ukraine, including numbering requirements, tariff and settlement regulations, interconnection, public telecommunications services, market access rules and licensing issuance and renewal. The Telecommunications Law also significantly expands the definition of the telecommunications services market, including in its scope Internet Protocol telecommunications, transmission of data and facsimile communications.

The Telecommunications Law also restructured the regulatory bodies governing the area of telecommunications. It provided for the creation of the NCRC, which, as of January 1, 2005, is assigned many functions previously held by the SDCI. The NCRC is authorized, *inter alia*, to issue regulations for the telecommunications services, issue telecommunications licenses to operators and providers, issue frequency licenses, request information from operators, providers and authorities, impose administrative penalties and maintain the register of the operators and providers. The NCRC is also authorized to conduct hearings and to resolve disputes among operators concerning the interconnection of

telecommunications networks. The powers of the SDCI in the telecommunications area are now relegated primarily to that of technical standards overseer.

Foreign investments in Ukrainian telecommunications operators are not limited; however, in order to provide telecommunications services in Ukraine an entity must be located on the territory of Ukraine and registered in accordance with Ukrainian legislation.

The Radio Frequencies Law sets forth comprehensive rules regarding the allocation, assignment, interrelation and use of radio frequencies, the licensing of the users of radio frequencies and other relevant issues. The 2004 amendments to the Radio Frequencies Law introduced new procedures for issuance, re-execution and termination of frequency licenses and operation permits.

Licensing of Telecommunications Services and Radio Frequency Allocation

Ukrainian legislation provides for two types of telecommunications licenses: telecommunications licenses and frequency licenses. Prior to January 1, 2005, the SDCI issued telecommunications and frequency licenses based on the Law on Licensing Certain Types of Business Activity dated June 1, 2000, the Telecommunications Law and the Radio Frequencies Law. Commencing January 1, 2005, the NCRC has assumed responsibility for issuing telecommunications licenses and frequency licenses pursuant to the Telecommunications Law and the 2004 amendments to the Radio Frequencies Law.

Telecommunications licenses are issued for the following specific types of telecommunications services:

- fixed telephone (local, intercity, international) communication services;
- mobile telecommunications services;
- technical maintenance and exploitation of telecommunications networks and the lease of electric communications channels; and
- intercity and international telecommunications services.

Other telecommunications services do not require licenses.

An operator that is granted a telecommunications license may not commence the provision of wireless telecommunications services until it receives a frequency license. The issuance of a frequency license is, in turn, subject to the availability of radio frequencies in the respective regions of Ukraine. Frequency licenses are issued for specific bandwidths within certain frequency spectrums in specific regions. The GSM spectrum is presently considered to be the most commercially attractive for telecommunications operators. It is currently deemed to be virtually impossible to obtain a license for GSM frequencies in major Ukrainian cities because most of the GSM radio frequencies in such cities are already licensed to the existing GSM operators, including us.

Under applicable legislation, licenses for telecommunications services may be issued and renewed for periods of not less than five years, with the actual period generally ranging from 10 to 15 years. Renewal of a license is made by an application submitted to the NCRC at least four months prior to the expiration of the license term. NCRC officials have broad discretion with respect to both the issuance and the renewal of licenses. The Telecommunications Law further provides that the NCRC must award licenses on a first come-first serve basis within 30 days from submission of an application. If resources are limited or consumer interests so require, the NCRC may adopt a decision to limit the number of licenses. In this event, the law requires that such decision be made public along with the rationale and that the licenses be allocated through a tender.

In accordance with the Radio Frequencies Law, the NCRC issues a frequency license concurrently with the issuance of the license for the type of telecommunications services requiring use of radio frequency resources. A telecommunications operator that has a respective telecommunications license may

apply for licenses for additional radio frequency bands. Frequency licenses may not be issued for a period shorter than the term of the relevant telecommunications license.

Under applicable legislation, a public tender or an auction for a radio frequency license must be held by the NCRC if demand for radio frequency resources exceeds available resources. Radio frequency licenses issued on the basis of a public tender or an auction for the same type of radio technology must include identical conditions regarding the radio frequency bands and development period.

Applicable legislation prohibits the transfer of a license by the licensee, including by means of assignment or pledge of a license as collateral, and agreements regarding the provision of telecommunications services must be executed and performed by the actual licensee.

Licenses generally contain a number of detailed conditions, including the date by which service must be commenced, the requirement to use only certified equipment, the technical standards which must be observed and the requirement to comply with all environmental regulations. Frequency licenses issued after January 1, 2005 will also contain the date by which the radio frequency resources must be fully utilized.

Telecommunications operators are subject to strict environmental regulations, especially regarding electromagnetic radiation; construction and technical maintenance of a telecommunications network must be carried out in accordance with local regulations applicable in particular regions of Ukraine. Telecommunications operators must submit periodic reports to the NCRC on the amount and quality of services provided under the telecommunications license. We believe that we are in material compliance with the applicable laws and regulations related to our Ukrainian licenses.

Some licenses also provide that services for persons entitled to certain social benefits must be provided at or below maximum tariffs established by Ukrainian legislation in effect at that time.

If the terms of a license are not fulfilled or the service provider violates legislation, the license may be suspended or terminated. Both telecommunications services licenses and radio frequency licenses may be terminated for various reasons, including:

- failure to comply with the terms and conditions of the license, including failure to provide services within the period set forth in the license;
- provision of inaccurate information in the application or about the communications services rendered to consumers;
- refusal to provide documents requested by the NCRC or the SIC;
- failure to remedy in a timely manner the circumstances which resulted in a violation of the license terms;
- unfair competition by the license holder in providing the licensed services;
- repeated violation of the license terms;
- transfer or assignment of the license to a third party; and
- other grounds set forth by Ukrainian laws or international treaties.

Radio frequency licenses may also be terminated for the following reasons:

- failure to commence using radio frequency resources within the time period specified in the license;
- termination of use of radio frequency resources specified in the license for more than one year; and
- failure to use radio frequency resources to the full extent within the time period specified in the license.

Decisions of the NCRC on termination of licenses may be appealed in court.

Equipment Certification

The Telecommunications Law requires that all technical devices and equipment to be used in interconnected communications networks in Ukraine, including fixed line and wireless networks, must be certified. The Ministry of Transport and Communications of Ukraine sets the technical standards for equipment to be used in telecommunications networks in Ukraine and issues the equipment compliance certificates. If the equipment a prospective operator intends to use is certified in Ukraine by either the manufacturer or the vendor, there is no need for the operator to go through the equipment certification process. However, if the equipment is not certified in Ukraine or if it is certified by a third party that is unwilling or unable to give the operator its permission to utilize its certification, then the operator will need to apply for the certification of the equipment in its own name.

The Radio Frequencies Law provides that users of radio frequency resources must obtain permits for the operation of radio-electronic and radio-emitting equipment, except for equipment used on a permit-free basis in accordance with this law. In order to obtain such operation permit, a company is required to file an application with the SCRF. The Radio Frequencies Law also requires producers and importers of radio-electronic and radio-emitting equipment to be used on the territory of Ukraine to register such equipment with the NCRC.

Competition

The Telecommunications Law provides that one of the purposes of the licensing of telecommunications services is to encourage competition and de-monopolization in the telecommunications industry.

The AMC is the state administrative body charged with the administration of competition legislation and the protection and regulation of economic competition in Ukraine, including economic competition among industry participants in the telecommunications sector.

Ukrainian antimonopoly legislation prohibits a company operating in Ukraine from using its dominant position in its market to gain an unfair or anti-competitive advantage in the provision of its services or products. A legal entity is deemed to be in a dominant position if such entity has no competitor in the market or is not subject to substantial competition due to restricted access or entry barriers for other business entities. Moreover, Ukrainian antimonopoly legislation sets forth that a company having more than 35% of the market share in a given product market may be deemed to be in the dominant position on such market, unless it proves that it is subject to substantial competition.

A telecommunications operator which is found by the AMC to have a dominant position in the market, in particular, may specifically be required to:

- annually submit to the NCRC irrevocable public offers regarding interconnection with the other operators' telecommunications networks;
- comply with the regulations of the NCRC regarding the technical, organizational and commercial terms of interconnection with the other operators' telecommunications networks;
- comply with the calculation factors set by the NCRC for access to the operator's own network;
- not discriminate against other players in telecommunications market; and
- undertake to develop the "public telecommunications services" at the operator's own expense if the NCRC so decides based on the insufficient supply of such services in certain regions.

Although UMC currently has over a 35% market share of the wireless communications market in Ukraine, it has not been declared a dominant market force by the AMC. In September 2003, the AMC began a review of the telecommunications services market for the purpose of determining the status of

competition and the existence of dominant market forces. In August 2004, the AMC notified UMC and its largest competitor, Kyivstar, that the preliminary results of its review of the wireless telecommunications industry indicated that each of UMC and Kyivstar qualified as having a dominant position in the market. The AMC offered UMC and Kyivstar the opportunity to submit their objections to these preliminary findings and indicated that it would issue a decision following its review thereof. On December 21, 2004, the AMC announced its issuance of a decision in which it confirmed that neither UMC nor Kyivstar qualified as having a dominant position in the wireless communications market.

In addition, in November 2005, the AMC recommended that UMC and Kyivstar abolish the connection fees both operators charge their subscribers. In April 2006, UMC responded by notifying the AMC that it would partially abolish the connection fees it charges to those subscribers participating in its monthly tariff plans, but would not alter the connection fees charged to subscribers of pre-paid tariff plans. As of the date of this annual report, the AMC is still reviewing UMC's response.

Tariffs

Telecommunications tariffs are regulated by the NCRC for:

- “public telecommunications” services; and
- access to the telecommunications networks (use of electric communications channels) of the operator with the dominant position on the market.

The Telecommunications Law withdrew the authority of the Cabinet of Ministers of Ukraine to regulate the prices for telecommunications services.

On May 5, 2006, the NCRC established maximum tariffs for both fixed-line public telecommunications services and for access to wireless networks from fixed-line networks. Such tariffs shall become effective when the decision by the NCRC establishing the tariffs is registered by the Ukrainian Ministry of Justice.

Although there are no additional regulations limiting the rates at which tariffs may be set for wireless telecommunications services, the AMC, where competition laws are violated, can find tariffs unfair and injurious to competition. In such cases, the AMC may request the violating telecommunications operator to remedy the situation, in particular, by amending its tariff schedule.

Subject to the above, wireless operators are free to set tariffs at levels they consider appropriate.

Interconnection

As of January 1, 2005, interconnection activity is to be regulated by the NCRC. Operators may provide offers for interconnection to the NCRC, and the NCRC is required to publish on an annual or regular basis a catalog of such offers. Operators with a dominant market position on the market are obligated to submit interconnection offers to the NCRC for each catalog.

Interconnection is made pursuant to interconnection agreements between network operators as prescribed by the regulatory authorities. Such agreements are required under the law to contain certain provisions. An operator with a dominant market position cannot refuse an offer to conclude an interconnection agreement with another operator, if the offeror has offered points of interconnection that were previously published by the NCRC in the catalog of interconnection proposals.

The NCRC is authorized to conduct hearings and to resolve disputes among operators concerning the interconnection of telecommunications networks. The decision of NCRC is binding upon the parties in the dispute but a party to the dispute may appeal such decision in court.

Seasonality

Our results of operations are impacted by certain seasonal trends. Generally, revenue is higher during the second and third quarter due to increased mobile phone use by subscribers who travel in the summer from urban areas to more rural areas where fixed line penetration is relatively low, as well as an increase in roaming revenues and guest roaming revenues during these quarters. In the fourth quarter, operating income and average revenue per user tend to be low as the increase in new subscribers tends to outpace the increase in phone usage. However, quarterly trends can be influenced by a number of factors, including promotions, and may not be consistent from year to year.

C. Organizational Structure

The table below presents our significant operating and holding entities and our ownership interests therein as of December 31, 2005. Our ownership interest and voting power in each of the entities is identical. All of the entities, with the exception of MTS Belarus, UMC, Uzdurobita, BCTI and MTS Finance are organized and operate under the laws of the Russian Federation.

	<u>Accounting Method</u>	<u>Ownership Interest</u>
SCS-900 ⁽²⁾	Consolidated	100.0%
FECS-900 ⁽²⁾	Consolidated	100.0%
Uraltel ⁽²⁾	Consolidated	100.0%
MTS Finance ⁽¹⁾	Consolidated	100.0%
BM Telecom ⁽²⁾	Consolidated	100.0%
MTS-Capital	Consolidated	100.0%
UMC	Consolidated	100.0%
Sibchallenge ⁽²⁾	Consolidated	100.0%
TSS ⁽²⁾	Consolidated	100.0%
Volgograd Mobile	Consolidated	100.0%
Astrakhan Mobile	Consolidated	100.0%
Mar Mobile GSM	Consolidated	100.0%
Primtelefon	Consolidated	100.0%
MSS	Consolidated	91.0%
ReCom	Consolidated	100.0%
TAIF Telcom ⁽²⁾	Consolidated	100.0%
MTS Kostroma	Consolidated	100.0%
Novitel	Consolidated	100.0%
Uzdunrobita	Consolidated	74.0%
Sibintertelecom	Consolidated	100.0%
Gorizont-RT ⁽²⁾	Consolidated	100.0%
Telesot Alania	Consolidated	100.0%
MTS-Komi Republic	Consolidated	100.0%
MTS-Tver	Consolidated	100.0%
BCTI	Consolidated	100.0%
Sweet-Com	Consolidated	74.9%
MTS Belarus	Equity	49.0%

(1) Represents beneficial ownership interest.

(2) Represents wholly-owned entities merged with us on April 1, 2006.

D. Property, Plant and Equipment

We occupy premises in Moscow at 4 Marksistskaya Street, 5/2 Vorontsovskaya Street, 12/12 Pankratievskaya Street, 10 Teterinsky Pereulok, 32/1 Bolshaya Semenovskaya Street and 7/22 Derbenevskaya Embankment, which we use for administration, as well as operation of mobile switching centers. We also lease buildings in Moscow for similar purposes, including marketing and sales and other service centers. We are currently considering an option to consolidate our premises into a single office building somewhere in the Moscow area in order to decrease maintenance costs and increase operational efficiency. We also own office buildings in some of our regional license areas and in Ukraine, and we lease office space on an as-needed basis. Although we believe that our properties are adequate for our current needs, additional space is available to us if and when it is needed.

The primary elements of our network are base stations, base station controllers, transcoders and mobile switching centers. GSM technology is based on an “open architecture,” which means that equipment from one supplier can be combined with that of another supplier to expand the network. Thus, there are no technical limitations to using equipment from other suppliers. Several major suppliers currently offer GSM 900/1800 mobile cellular equipment and the market for suppliers is competitive.

Of the 16,332 base stations comprising our network in Russia as of December 31, 2005, 10,261 operated in the 900 MHz band and 6,071 operated in the 1800 MHz band. We also operated 480 base station controllers and approximately 138 switches in Russia as of December 31, 2005.

Of the 5,383 base stations comprising our network in Ukraine as of December 31, 2005, 2,618 operated in the 900 MHz band and 2,765 operated in the 1800 MHz band. We also operated 145 base station controllers and 26 switches in Ukraine as of December 31, 2005.

Of the 640 base stations comprising our network in Uzbekistan as of December 31, 2005, 260 operated in the 900 MHz band and 380 operated in the 1800 MHz band. We also operated 14 base station controllers and 12 switches in Uzbekistan as of December 31, 2005.

Of the 47 base stations comprising our network in Turkmenistan as of December 31, 2005, 43 operated in the 900 MHz band and 4 operated in the 1800 MHz band. We also operated 3 base station controllers and 2 switches in Turkmenistan as of December 31, 2005.

In addition, certain of our subsidiaries entered into capital lease agreements for network equipment with Invest-Svyaz Holding, a wholly-owned subsidiary of Sistema. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, related notes and other information included elsewhere in this document. In particular, we refer you to the risks discussed in “Item 3. Key Information—D. Risk Factors” for information regarding governmental, economic, fiscal, monetary or political policies or factors that could materially adversely affect our operations or your investment in our shares and ADSs. In addition, this section contains forward-looking statements that involve risk and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under “Item 3. Key Information—D. Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements.” Our reporting currency is the U.S. dollar and our consolidated financial statements have been prepared in accordance with U.S. GAAP.

Overview

We are the largest mobile operator in Russia, Uzbekistan and Turkmenistan and the second largest in Ukraine in terms of subscribers and revenues. Revenues for the year ended December 31, 2005, were \$5,011.0 million, an increase of 28.9% from the year ended December 31, 2004. Net income for the year ended December 31, 2005, was \$1,126.4 million, up 14.0% from the year ended December 31, 2004. At December 31, 2005, we had a subscriber base of 58.2 million (44.2 million in Russia, 13.3 million in Ukraine, 0.6 million in Uzbekistan and 0.1 million in Turkmenistan).

Our revenues have increased through organic growth, as well as through acquisitions. During March to July 2003, we acquired 100% of UMC, a mobile operator in Ukraine, for approximately \$378.3 million in cash and assumed debt of UMC in the amount of \$62.0 million. UMC's results of operations have been included in our consolidated financial statements beginning March 1, 2003. For the years ended December 31, 2004 and 2005, UMC accounted for approximately 21.4% and 24.0%, respectively, of our net revenues. We acquired a 74% stake in Uzdurobita in August 2004, and Uzdurobita's results of operations have been included in our audited consolidated financial statements beginning July 2004. For the year ended December 31, 2005, Uzdurobita had net revenues of \$86.5 million. In two separate purchases in June and November 2005, we acquired 100% of BCTI, a mobile operator in Turkmenistan, for \$46.7 million in cash. BCTI's results of operations have been included in our consolidated financial statements since June 30, 2005. We spent \$667.2 million, \$355.7 million and \$178.9 million in cash (net of cash acquired) in 2003, 2004 and 2005, respectively, to acquire businesses.

We require significant funds to support our subscriber growth, primarily for increasing network capacity and developing networks in new license areas. Our cash outlays for capital expenditures (consisting of purchases of property, plant and equipment and intangible assets) in 2003, 2004 and 2005 were \$958.8 million, \$1,358.9 million and \$2,181.3 million, respectively. We have financed our cash requirements through our operating cash flows and borrowings. Net cash provided by operating activities in 2003, 2004 and 2005 was \$966.0 million, \$1,711.6 million and \$1,797.4 million, respectively. Since 2002, we have raised a total of \$1.8 billion through six U.S. dollar-denominated unsecured notes offerings in international capital markets. In July 2004, a syndicate of international banks made available to us an unsecured loan facility in an aggregate amount of \$500.0 million, which is repayable in three years. In September 2004, this syndicated loan facility was increased to \$600.0 million, of which \$460.0 million remained outstanding as of December 31, 2005. In April 2006, we entered into a syndicated loan facility with several international financial institutions, allowing us to borrow up to \$1,330.0 million in two tranches of \$630.0 million and \$700.0 million. As of December 31, 2005, we had indebtedness of approximately \$2.9 billion, including capital lease obligations, and our interest expense for the year ended December 31, 2005, was \$132.5 million, net of amounts capitalized.

We hold a 49% equity investment in a mobile operator in Belarus, MTS Belarus, which had 2.1 million subscribers as of December 31, 2005. MTS Belarus is an equity investment, and its results are not consolidated in our financial statements. The remaining stake in MTS Belarus is owned by a Belarus state-owned enterprise.

Segments

Prior to January 1, 2005, we had several operating segments corresponding to separate legal entities within our group. For reporting purposes, we grouped them as follows: (1) our company, Mobile TeleSystems OJSC, or MTS OJSC, which holds licenses for and operates in the Moscow license area and a number of areas outside of Moscow; (2) our subsidiary, Telecom XXI, which held licenses for and operates in St. Petersburg and a number of areas in northwest Russia; (3) our subsidiary, Kuban-GSM, which held licenses for and operates in the Krasnodar region of Russia (4) our subsidiary, UMC, which holds licenses for and operates in Ukraine; and (5) several other smaller subsidiaries, which hold licenses for and operate

in the different regions of Russia and our subsidiary, Uzdunrobita, which holds licenses for and operates in Uzbekistan, which we call “Other regions.”

Pursuant to a reorganization beginning in 2004, we separated our operations by geographic region, or macro-regions, rather than by legal entity as described above. To accomplish this restructuring, we merged many of our majority-owned subsidiaries in order to consolidate our administrative functions and improve management efficiency. Furthermore, in July 2005, we merged with eight of our wholly-owned subsidiaries in Russia, including Telecom XXI, Kuban-GSM, Udmurtia Digital Network-900, or UDN-900, Dontelecom, MTS-Barnaul, MTS-Nizhny Novgorod, or MTS-NN, Telecom-900 and Amur Cellular Communication, or ACC. In March 2006, we continued with the restructuring by merging with an additional nine of our wholly-owned subsidiaries in Russia: Gorizont RT, TAIF Telcom, MTS-RTK, Sibchallenge, Tomsk Cellular Communications, or TSS, BM Telekom, Far East Cellular Systems-900, or FECS—900, Siberian Cellular Systems—900, or SCS-900, and Uraltel.

Each macro-region consists of between three and eight operational regions, excluding Moscow which is a sole operational macro-region, and our management regularly reviews operational and financial information by macro-region. See Note 23 to our audited consolidated financial statements for segment information.

Subscriber Data

The following table shows our subscribers by country as of the dates indicated:

	At December 31,		
	2003	2004	2005
	(in thousands)		
Subscribers⁽¹⁾			
Russia, including:	13,370	26,540	44,219
MTS OJSC	6,529	13,398	21,523
Moscow license area	4,936	7,516	10,188
Telecom XXI	1,666	2,733	3,748
Kuban-GSM	1,396	2,543	4,723
Other Russian regions	3,779	7,866	14,225
Ukraine (UMC)	3,350	7,373	13,327
Uzbekistan (Uzdunrobita)	—	311	648
Turkmenistan (BCTI)	—	—	68
Total consolidated	<u>16,720</u>	<u>34,224</u>	<u>58,194</u>
MTS Belarus (unconsolidated)	465	1,214	2,134

⁽¹⁾ We define a subscriber as an individual or organization whose account shows chargeable activity within 61 days (or 183 days in the case of the “Jeans” and “SIM-SIM” brand tariffs) or whose account does not have a negative balance for more than this period. Prior to October 1, 2004, UMC used a 90-day period for such purposes with respect to its “Jeans” and “SIM-SIM” subscribers.

The following table shows our subscribers by macro-regions as of the dates indicated:

	<u>At December 31,</u>	
	<u>2004</u>	<u>2005</u>
	(in thousands)	
Subscribers by macro-region⁽¹⁾		
Moscow	7,516	10,188
Ukraine	7,373	13,327
North-West	3,241	4,544
South	3,174	6,863
Siberia	2,091	4,189
Far East	1,227	2,630
Other	9,601	16,452
Total consolidated	<u>34,224</u>	<u>58,194</u>
MTS Belarus (unconsolidated)	1,214	2,134

(1) We define a subscriber as an individual or organization whose account shows chargeable activity within 61 days (or 183 days in the case of the “Jeans” and “SIM-SIM” brand tariffs) or whose account does not have a negative balance for more than this period. Prior to October 1, 2004, UMC used a 90-day period for such purposes with respect to its “Jeans” and “SIM-SIM” subscribers.

We had approximately 44.2 million subscribers in Russia at December 31, 2005, of which 10.2 million were in the Moscow license area that encompasses the City of Moscow and the Moscow region. According to AC&M-Consulting, approximately 18.0% of all mobile cellular subscribers in Russia reside in the Moscow license area, where penetration stood at approximately 134.5% as of December 31, 2005. Penetration in all of Russia was lower, at approximately 86.6%, according to AC&M-Consulting. Our subscribers in Russia outside of the Moscow license area totaled approximately 34.0 million as of December 31, 2005. According to AC&M-Consulting, as of December 31, 2005, we had a leading 35.2% market share of total mobile cellular subscribers in Russia. Our market share in the Moscow license area was higher at 44.6% as of December 31, 2005, according to AC&M-Consulting. We had approximately 13.3 million subscribers in Ukraine as of December 31, 2005, and, according to AC&M-Consulting, a 43.9% market share of total mobile cellular subscribers in Ukraine. In addition, we had approximately 0.6 million subscribers in Uzbekistan, representing a 55.1% market share, according to our estimates.

We define our churn as the total number of subscribers who cease to be a subscriber during the period (whether involuntarily due to non-payment or voluntarily, at such subscriber’s request), expressed as a percentage of the average number of our subscribers during that period. We view the subscriber churn as a measure of market competition and customer dynamics. The following table shows our Russian and Ukrainian subscriber churn for the periods indicated.

	<u>Year Ended December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Subscriber Churn			
Russia	47.3%	27.5%	20.7%
Ukraine	23.8% ⁽¹⁾	15.8% ⁽²⁾	21.8%

(1) Annualized based on the months of March through December 2003.

(2) The significant decrease in the 2004 churn rate in Ukraine is largely attributable to the change in our churn policy for “Jeans” and “SIM-SIM” subscribers in Ukraine. Under the previous churn policy, the 2004 churn rate would have been 23%.

The churn rate is highly dependent on competition in our license areas and those subscribers who migrate as a result of such competition. The decrease in our churn rate in Russia during 2005 occurred mainly due to successful marketing initiatives, focused on customer loyalty. The churn rate in Ukraine has increased significantly due to increased competition with Kyivstar in 2005.

While our subscribers and revenues have been growing, our average monthly service revenue per subscriber has been decreasing. We calculate our average monthly service revenue per subscriber by dividing our service revenues for a given period, including guest roaming fees, by the average number of our subscribers during that period and dividing by the number of months in that period. The following table shows our average monthly service revenue per subscriber and average monthly minutes of use per Russian and Ukrainian subscriber for the periods indicated.

	Year Ended December 31,		
	2003	2004	2005
Average monthly service revenue per subscriber			
Russia	\$17	\$12	\$8
Ukraine	\$15 ⁽¹⁾	\$13	\$10
Uzbekistan	—	—	\$16
Average monthly minutes of use per subscriber			
Russia	144	157	128
Ukraine	97 ⁽¹⁾	114	117
Uzbekistan	—	—	433

⁽¹⁾ Calculated based on the months of March through December 2003.

Average monthly service revenue per subscriber for Russia decreased from \$17 for the year ended December 31, 2003, to \$12 for the year ended December 31, 2004, and to \$8 for the year ended December 31, 2005. Average monthly minutes of use per subscriber has decreased in Russia due, in large part, to a change in the mix of high and low-minute usage subscribers with more subscribers falling into the latter category. We expect average monthly service revenue per subscriber to stabilize towards the end of 2006 and thereafter. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Increased competition and a more diverse subscriber base have resulted in decreasing average monthly service revenues per subscriber, which may materially adversely affect our results of operations.”

The following table shows the mix between Jeans and non-Jeans subscribers for Russia and Ukraine for the periods indicated. For a description of our “Jeans” and “SIM-SIM” brands, see “Item 4. Information on Our Company—B. Business Overview—Tariffs.”

	At December 31,		
	2003	2004	2005
Russia			
Jeans	44%	77%	88%
Non-Jeans	56%	23%	12%
Ukraine			
Jeans (including SIM-SIM)	79%	86%	90%
Non-Jeans	21%	14%	10%

Revenues

Our principal sources of revenue are:

- service revenues, including usage fees, monthly subscription fees, roaming and value-added service fees, and connection fees; and
- revenues from sales of handsets and accessories.

We set our fees and prices with reference to the competitive environment and we expect price competition to increase in the future. Our fees are not currently regulated by any organization or governmental authority in Russia, while in Ukraine there have been cases where governmental authorities imposed restrictions on our tariffs.

Service Revenues and Connection Fees

Service revenues. Usage fees include amounts charged directly to our subscribers, both for their usage of our network and for their usage of other operators' GSM networks when roaming outside of our service area. We generally bill our subscribers for all incoming and outgoing calls, except for incoming local calls originated by one of our subscribers and received by another one of our subscribers. However, our "Jeans" tariff subscribers receive all incoming calls from certain other mobile providers in the same region free of charge.

The charges for outgoing calls to other cellular operators and to the public service telephone network are usually higher than charges for outgoing calls within our network. The usage fees charged for a call originating or terminating on our network depend on a number of factors, including the subscriber's tariff plan, call duration, the time of day when the call was placed, call destination and whether the call was incoming or outgoing. Usage fees as a percentage of total net revenues were 71.7% in 2003, 70.5% in 2004 and 73.5% in 2005, respectively. The further development of our "Jeans" tariff, which has no monthly subscription fee, will support growth in the usage fees as a percentage of total revenues. The percentage of total net revenues represented by usage fees as compared to monthly subscription fees will continue to be affected by changes in our tariff plans, as well as the relative product mix between usage fee-based tariff plans versus monthly subscription fee-based tariff plans.

Monthly subscription fees consist of fixed monthly charges for network access and access to additional services. Monthly subscription fees as a percentage of our total net revenues represented 17.9% in 2003, 12.7% in 2004 and 11.7% in 2005, respectively. The main reason for the decline of the monthly subscription fees as a percentage of total net revenues is a decrease in the share of subscribers with a monthly subscription fee in the subscriber mix. Many of our monthly subscription fee-based tariff plans also include a usage fee-based component for minutes used over a certain number of pre-paid minutes. The percentage of total net revenues represented by usage fees as compared to monthly subscription fees will continue to be affected by the factors discussed in the previous paragraph.

Roaming fees include amounts charged to other GSM operators for their subscribers, *i.e.*, guest roamers, utilizing our network while traveling in our service area. We bill other GSM operators for calls of guest roamers carried on our network. Roaming fees represented 6.0% of our total net revenues in 2003, 2.4% in 2004 and 2.0% in 2005, respectively. We generally expect roaming fees to decline as a percentage of total net revenues as we expect the increase in our subscribers to continue to outpace the increase in guest roamers. In addition, roaming tariffs between mobile operators have a tendency to decrease relative to the increase of total number of mobile users.

We offer our subscribers an array of value-added services, including SMS, call forwarding, call waiting, call barring, call identification, voice mail, itemized billing and content-based services. For the years ended December 31, 2003, 2004 and 2005, monthly average SMS usage was 16, 17 and 13 text messages sent per

subscriber in Russia, respectively. These services have historically comprised approximately 10% of total net revenues and are primarily reflected as usage fees, but we generally expect value-added services as a proportion of total net revenues to increase due to the introduction of new value-added services and an increase in the usage of value-added services by our subscribers. We expect that revenue from value-added services will vary based upon penetration rates, customer usage, pricing and advertising and promotional programs.

Connection fees. Connection fees consist of charges paid to us by subscribers for the initial connection to our network and sign-up for value-added services. We defer connection fees and recognize them as revenues over the estimated average subscriber life as described in Note 2 to our audited consolidated financial statements. Connection fees represented 1.2% of our total net revenues in 2003, 1.2% in 2004 and 0.9% in 2005, respectively. We expect connection fee revenues to remain at a low level as a percentage of total net revenues.

Sales of Handsets and Accessories

We sell handsets and accessories directly to subscribers in our sales offices and also to dealers for further resale. We offer subscribers primarily dual-band and tri-band handsets that operate in the 900 and 1800 MHz bands and 900, 1800 and 1900 MHz bands, respectively. Revenue from the sale of handsets and accessories represented 3.2% of our total net revenue in 2003, 2.2% in 2004 and 1.4% in 2005, respectively. Our average selling price of handsets has declined significantly in recent years, but remained stable in the year ended December 31, 2005. We generally do not subsidize handset sales in Russia, but in Ukraine, we subsidize handsets for contract subscribers. See “—Expenses—Cost of Handsets and Accessories” below.

We expect the demand for our handsets and accessories to continue to decrease due to the availability of cheaper “grey” market handsets entering the market. In addition, many new subscribers already own handsets, either purchased on the grey market or because they are churn clients from other operators. We expect as subscribers are added to our network and the price of handsets continues to decrease, our sales of handsets and accessories as a percentage of total net revenues will decline.

Expenses

Our principal expenses are:

- cost of services, including interconnection, line rental and roaming expenses;
- cost of handsets and accessories;
- sales and marketing expenses;
- general and administrative expenses, such as salaries, rent and other general and administrative expenses;
- provision for doubtful accounts;
- depreciation of property, network equipment and amortization of telephone numbering capacity, license costs and other intangible assets;
- research and development, patents and licenses, etc.;
- interest expenses; and
- provisions for income taxes.

Cost of Services

Interconnection and Line Rental. Interconnection and line rental charges include charges payable to other operators for access to, and use of their networks, which are necessary in the course of providing service to our subscribers as described under “Item 4. Information on Our Company—B. Business Overview—Interconnect Arrangements and Telephone Numbering Capacity.”

We expect unit interconnect costs payable by us to other operators will increase as our subscriber base and traffic volumes increase. We expect the cost of leasing telecommunication lines to vary based on the number of base stations, base station controllers, the number and capacity of leased lines utilized and competition among providers of leased lines, as well as availability and usability of substitutes such as microwave links owned by us.

Roaming Expenses. Roaming expenses consist of amounts charged by other GSM operators under agreements for roaming services provided to our subscribers while outside our service area.

Cost of Handsets and Accessories

This type of expense includes primarily the cost of handsets and accessories sold to dealers and subscribers, and the cost of SIM cards provided to our customers. We have entered into supply agreements with various producers and suppliers of handsets and accessories to satisfy our requirements at what we believe to be competitive prices. We expect the cost per handset to decline due to our ability to work directly with suppliers to secure volume discounts, technological advances and competitive pressures in the market for handsets.

In Ukraine, we subsidize handsets for contract subscribers. In the years ended December 31, 2003, 2004 and 2005, we provided net handset subsidies in Ukraine for a total cost of \$34.9 million, \$52.7 million and \$57.2 million, respectively, which are reported as a loss on sales of handsets. However, we do not subsidize handset sales in Russia.

Generally, we provide SIM cards to our customers free of charge. Cost of SIM cards used amounted to \$68.3 million in 2003, \$80.6 million in 2004 and \$122.7 million in 2005, respectively. The growth in SIM cards expense in 2005 was primarily the result of an increase in subscribers and internal churn within our subscriber base.

Sales and Marketing Expenses

Our sales and marketing expenses primarily consist of:

- expenses for advertising and promotion; and
- dealer commissions on new connections and advances collected from subscribers.

Sales and marketing expenses reflect, among other things, advertising, promotions and other costs associated with the expansion of services in our license areas and are expected to increase as subscriber numbers and market competition increase. In addition, we expect these costs to increase as we further develop our brand and introduce value-added services.

Commencing on January 1, 2006, in the Moscow license area, dealer commission contracts have been gradually migrated to a new payment scheme. Specifically, we have begun linking commissions payable to a dealer on a monthly basis to the amount of revenues we receive during the six-month period from the date a subscriber is activated by such dealer. In addition, we have established caps or a maximum commission amount for our dealers. We believe that the new method for paying commissions to dealers provides dealers with greater incentives to renew subscriptions, reduces the risk of dealer fraud and improves our cash-flow management.

We measure subscriber acquisition costs, or SAC, to monitor the cost-effectiveness of our sales and marketing. We define SAC as total sales and marketing expenses and handset subsidies for a given period. Sales and marketing expenses include advertising expenses and commissions to dealers. SAC per gross additional subscriber is calculated by dividing SAC during a given period by the total number of gross subscribers added by us during the period. The following table shows SAC in Russia and Ukraine for the periods indicated:

	Year Ended December 31,		
	2003	2004	2005
Subscriber Acquisition Costs (SAC)			
Russia	\$26	\$21	\$19
Ukraine	\$32 ⁽¹⁾	\$19	\$14

⁽¹⁾ Calculated based on the months of March through December 2003.

SAC continued to decline in 2005 reflecting the lower cost of attracting mass-market subscribers and increased economies of scale.

General and Administrative Expenses

Our general and administrative expenses consist primarily of:

- employee salaries and bonuses;
- social contributions payable to the state pension fund;
- taxes other than income taxes, *e.g.*, property taxes;
- office maintenance expenses;
- network repair and maintenance; and
- rental of premises.

Total general and administrative expenses are expected to increase over time to reflect the increasing costs and staff required to service our growing subscriber base, but we expect they will decline on a per subscriber basis.

Provision for Doubtful Accounts

We generally expect our provision for doubtful accounts as a percentage of net revenues to remain stable or decline as a result of the continued use of our advance payment system, whereby subscribers' fees are debited from amounts paid by subscribers into their accounts in advance of line usage. In the future, our provision for doubtful accounts may increase if we increase the availability of tariff plans under the credit payment system. See "Item 4. Information on Our Company—B. Business Overview—Customer Payments and Billing." However, our expense for provision for doubtful accounts for the year ended December 31, 2005, totaled \$50.4 million in comparison with \$26.5 million of provision expense incurred in 2004 mainly due to an expansion of our subscriber base into the mass-market low income segment consisting of subscribers with unstable income sources and less predictable consumer behavior. In addition, the billing systems in certain of our macro-regions experience delays between the time that a subscriber's balance reaches zero and the disconnection of such subscriber from our network causing an increase in our doubtful accounts.

Depreciation of Property, Network Equipment and Amortization of Intangibles

We expect depreciation expense, which is principally associated with the depreciation of network equipment, to continue to increase in line with our network development program and the buildout associated with our regional license areas. Correspondingly, we also expect amortization of telephone numbering capacity, license costs and other intangible assets to increase in line with our development programs and the expansion of our subscriber base, including subscribers in our regional license areas. From January 1, 2002, we no longer amortize goodwill.

Research and Development, Patents and Licenses, Etc.

Our research and development activities and amounts spent on such activities were not significant for the last three years and primarily included activities focused on new telecommunication technologies and evaluation of new or improved services and systems. Expenditures on research and development are recognized as expenses when they are incurred.

Interest Expense

We expect interest expense to continue to increase, which is principally associated with external debt incurred to finance our network development program and the buildout associated with our regional license areas.

Provision for Income Taxes

Taxation on income of Russian companies is regulated by a number of laws, government decrees and implementation instructions. From January 1, 2002, the new Chapter 25 "Income Tax of Organizations" of the Tax Code became effective, which to some extent consolidates and simplifies income tax regulations.

The income tax base for Russian companies is defined as income received from sales of goods, works and services and property rights and income from non-sale operations, reduced by the amount of certain business expenses incurred in such operations. Prior to 2002, these expenses were computed according to several special deductibility regulations. These regulations combined detailed guidance as to what can be deducted for income tax purposes with specified limitations and restrictions on deductibility. For example, there were ceilings on deductibility of advertising or entertainment expenses. Deductions were limited or denied for a number of items commonly seen as fully deductible under Western tax systems, such as:

- interest on loans;
- advertising and business travel expenses above a stated limit;
- non-mandatory insurance expenses; and
- training expenses.

The new income tax legislation significantly liberalized the deductibility rules for business expenses. Therefore, starting January 1, 2002, the following business expenses are deductible:

- interest on loans (with certain exceptions);
- management expenses;
- secondment expenses; and
- training expenses (with certain exceptions).

Interest paid on loans, including the loans from our subsidiary, Mobile TeleSystems Finance S.A., made to us in connection with our notes, is deductible to the extent the interest rate does not exceed 15%.

The deductibility rules for advertising and business travel expenses were also revised and relaxed significantly.

The tax legislation that was in force prior to 2002 established certain benefits and concessions for companies engaged in the production and service industries. Notably, taxable income could be reduced by amounts reinvested for specific purposes. However, the total reduction from this form of incentive together with certain other reductions could not exceed 50% of the taxable income for the period. The most significant reinvestment purposes that benefited from these concessions were technical re-equipment, reconstruction, expansion and development of production facilities and the installation of new facilities. We used these concessions extensively in prior years. The new income tax legislation does not provide for special tax concessions related to investments in infrastructure.

Effective January 1, 2002, the statutory income tax rate in Russia was established at 24%.

In 2003, the statutory income tax rate in Ukraine was 30%. From January 1, 2004, the Ukrainian statutory income tax rate changed to 25% as a result of changes in legislation. As the result of this reduction, we recognized a net deferred tax expense of approximately \$4.8 million in 2003.

Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year. We believe that we have adequately provided for tax liabilities in our consolidated financial statements; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

Acquisitions

Our results of operations for the periods presented are significantly affected by acquisitions. Results of operations of acquired businesses are included in our audited consolidated financial statements for the periods after their respective dates of acquisition.

Below is the list of our major acquisitions during 2003, 2004 and 2005.

<u>Company</u>	<u>License area</u>	<u>Date of acquisition</u>	<u>Stake acquired</u>	<u>Purchase price* (in millions)</u>
2003				
UMC	Ukraine	March 2003	57.7%	\$199.0
UMC	Ukraine	June 2003	26.0%	87.6
UMC	Ukraine	July 2003	16.3%	91.7
TAIF Telcom	Tatarstan Republic and Volga region	April 2003	51.0%	61.0
TAIF Telcom	Tatarstan Republic and Volga region	May 2003	1.7%	2.3
Sibchallenge	Krasnoyarsk region	August 2003	100.0%	45.5
Vostok Mobile BV	50% stake in Primtelefon (several regions in the Far East of Russia)	August 2003	100.0%	29.0
Uraltel	Ural region	August 2003	46.7%	35.7
TSS	Eastern Siberia	September 2003	100.0%	47.0
Kuban-GSM	Krasnodar region	September 2003	47.3%	107.0
				\$705.8
2004				
SCS-900	Several regions in the Siberian part of Russia	March 2004	11.0%	\$8.5
FECS-900	Several regions in the Far East of Russia	April 2004	40.0%	8.3
MSS	Eastern Siberia	April 2004	7.5%	2.2
Primtelefon	Several regions in the Far East of Russia	June 2004	50.0%	31.0
UDN-900	Udmurtiya Republic	August 2004	49.0%	6.4
Volgograd Mobile	Volga region	August 2004	50.0%	2.9
Astrakhan Mobile	Volga region	August 2004	50.0%	1.1
Uzdunrobita	Uzbekistan	July 2004	74.0%	126.4
TAIF Telcom	Tatarstan Republic	October 2004	47.3%	63.0
Sibintertelecom	Two regions in the Far East of Russia	November 2004	93.5%	37.4
Telesot Alania	Severnaya Osetia-Alania Republic	December 2004	52.5%	6.2
Gorizont-RT	Republic of Sakha (Yakutia)	December 2004	76.0%	53.2
				\$341.2
2005				
Sweet-Com	Moscow	February 2005	74.9%	\$2.0
Gorizont-RT	Republic of Sakha (Yakutia)	June 2005	24.0%	13.5
BCTI	Turkmenistan	June 2005	51.0%	28.2
BCTI	Turkmenistan	November 2005	49.0%	18.5
Sibintertelecom	Two regions in the Far East of Russia	December 2005	6.5%	2.8
ReCom	Six regions in the European part of Russia	December 2005	46.1%	110.0
Telesot Alania	Severnaya Osetia-Alania Republic	December 2005	47.5%	32.6
				\$207.6

* Excluding acquisition-related costs and debt assumed.

Other investments

In December 2005, we acquired a 51.0% stake in Tarino Limited (“Tarino”) for \$150.0 million in cash. Tarino was at that time the indirect owner, through its wholly-owned subsidiaries, of Bitel, a Kyrgyz company holding a GSM 900/1800 license for the entire territory of Kyrgyzstan.

Concurrently with the purchase of a 51.0% stake, we entered into a put and call option agreement with the shareholder of Tarino to acquire the remaining 49.0% interest in Tarino. The call option is exercisable by us from November 22, 2005 to November 17, 2006, and the put option is exercisable by the seller from November 18, 2006 to December 8, 2006. The call and put option price is \$170.0 million. The put and call option were recorded at fair value, which approximated \$nil at December 31, 2005, in the consolidated balance sheet.

After a decision of the Kyrgyz Supreme Court on December 15, 2005, Bitel’s offices were seized and, as a result, we could not regain operational control over Bitel’s operations in 2005. Accordingly, we accounted for our 51.0% investment in Bitel at cost as at December 31, 2005.

For a detailed discussion of investments in Bitel, see “Item 8.A.7. Litigation” and Note 20 to our audited consolidated financial statements.

Results of Operations by Macro-Region

Based on the restructuring of our group commenced in 2004, we currently report our financial information by macro-region. See “Item 5. Operating and Financial Review and Prospects—Segments” for additional information regarding the reorganization. As of December 31, 2005, we reported our financial information based on six macro-regions, including Moscow, Ukraine, North-West, South, Siberia and Far East. We have restated the corresponding items of segment information for 2004, but have determined that it is impracticable to do so for 2003.

	Year Ended December 31,	
	2004	2005
	(in thousands)	
Revenues by macro-region		
Moscow	\$1,693,685	\$1,867,435
Ukraine	832,313	1,201,827
North-West	347,881	384,743
South	260,173	347,819
Siberia	225,188	296,353
Far East	110,562	282,925
Other	810,855	1,054,871
Eliminations ⁽¹⁾	(393,663)	(424,955)
Revenues as reported	<u>\$3,886,994</u>	<u>\$5,011,018</u>
Costs of services, exclusive of depreciation and amortization shown separately below by macro-region and cost of handsets and accessories		
Moscow	\$510,565	\$540,160
Ukraine	221,226	343,990
North-West	53,325	56,072
South	34,113	60,308
Siberia	48,750	67,895
Far East	26,237	72,748
Other	171,702	241,426
Eliminations ⁽¹⁾	(366,231)	(395,126)
Cost of services and cost of handsets and accessories as reported	<u>\$699,687</u>	<u>\$987,473</u>

Sundry operating expenses by macro-region⁽²⁾		
Moscow	\$233,414	\$281,275
Ukraine	88,937	143,099
North-West	53,786	71,165
South	46,906	58,220
Siberia	45,540	63,164
Far East	23,489	67,384
Other	149,158	199,554
Eliminations ⁽¹⁾	(9,698)	(7,552)
Sundry operating expenses as reported	<u>\$631,532</u>	<u>\$876,309</u>
Sales and marketing expenses by macro-region		
Moscow	\$169,098	\$191,047
Ukraine	79,355	129,651
North-West	49,943	39,865
South	30,196	56,955
Siberia	19,913	39,072
Far East	7,408	21,507
Other	114,641	141,328
Eliminations ⁽¹⁾	(9,571)	(11,333)
Sales and marketing expenses as reported	<u>\$460,983</u>	<u>\$608,092</u>
Depreciation and amortization by macro-region		
Moscow	\$194,873	\$224,653
Ukraine	124,935	153,795
North-West	64,036	86,244
South	81,749	91,407
Siberia	39,548	54,846
Far East	15,572	42,776
Other	158,333	257,944
Eliminations ⁽¹⁾	(3,317)	(4,552)
Depreciation and amortization as reported	<u>\$675,729</u>	<u>\$907,113</u>
Operating Income by macro-region		
Moscow	\$585,735	\$630,300
Ukraine	317,860	431,292
North-West	126,791	131,397
South	67,209	80,929
Siberia	71,437	71,376
Far East	37,856	78,510
Other	217,021	213,861
Eliminations ⁽¹⁾	(4,846)	(5,634)
Operating income as reported	<u>\$1,419,063</u>	<u>\$1,632,031</u>

(1) Represents the elimination of intercompany sales, sundry operating expenses, sales and marketing expenses and the related operating income, primarily for intercompany roaming arrangements and management and marketing support provided by MTS OJSC to regional companies, as well as of other intercompany transactions.

(2) For the purposes of this analysis “Sundry operating expenses” consist of general and administrative expenses, provision for doubtful accounts and other operating expenses (including charges incurred in connection with the “universal services reserve fund”).

Year Ended December 31, 2005 compared to Year Ended December 31, 2004 by macro-region

Revenues and cost of services and cost of handsets and accessories

Consolidated revenues for the year ended December 31, 2005 increased by \$1,124.0 million, or 28.9%, to \$5,011.0 million from \$3,887.0 million for the year ended December 31, 2004. This increase was primarily due to the significant growth in our subscriber base from 34.2 million as of December 31, 2004 to 58.2 million as of December 31, 2005. The growth was mainly attributable to our sales and marketing efforts and the expansion of our network, as well as improving general economic conditions and income levels in Russia and Ukraine. A portion of revenue growth was also due to the acquisition of BCTI in June 2005, which contributed \$33.4 million to our revenues for the year ended December 31, 2005, as well as the full consolidation in 2005 of Uzdurobita, which we acquired in July 2004. The increase in revenues from subscriber growth was partially offset by a decrease in tariffs in Moscow and other highly competitive license areas, an increase in mass-market subscribers in our subscriber mix and our continued expansion into the regions of Russia outside of the Moscow license area where tariffs are lower. As a result, average monthly service revenue per subscriber in Russia decreased by 33% from \$12 per subscriber for the year ended December 31, 2004 to \$8 for the year ended December 31, 2005.

For the year ended December 31, 2005, service revenues and connection fees increased by \$1,142.0 million, or 30.1%, to \$4,942.3 million compared to \$3,800.3 million for the year ended December 31, 2004 due to the growth in the number of our subscribers, as explained above. Revenues from the sales of handsets and accessories decreased by \$18.0 million, or 20.8%, to \$68.7 million for the year ended December 31, 2005 compared to the year ended December 31, 2004, due to a reduction in the number of handsets sold while the average selling price for handsets remained at the same level.

Consolidated cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 41.1% to \$987.5 million from \$699.7 million for the year ended December 31, 2004. The increase in costs was primarily attributable to subscriber growth and related growth in traffic related expenses. For the year ended December 31, 2005, interconnection and line rental expenses grew to \$598.3 million from \$352.6 million for the year ended December 31, 2004 and roaming expenses grew to \$134.5 million from \$128.5 million. For the year ended December 31, 2005, cost of handsets and accessories sold, including SIM cards provided to customers, grew to \$254.6 million from \$218.6 million for the year ended December 31, 2004.

Consolidated gross margin was \$4,023.5 million, or 80.3% of consolidated revenues for the year ended December 31, 2005, compared to \$3,187.3 million, or 82.0% of consolidated revenues for the year ended December 31, 2004. The decrease in our consolidated gross margin percentage is due to increased interconnection and line rental charges as a result of further expansion of our network and increased rental charges payable to other operators for access to their networks in 2005 and, to some extent, the increased costs associated with SIM and Jeans cards used by new subscribers.

Moscow revenues for the year ended December 31, 2005 increased by 10.3% to \$1,867.4 million from \$1,693.7 million for the year ended December 31, 2004. Our subscriber base in the Moscow license area increased by 35.6% from 7.5 million as of December 31, 2004 to 10.2 million as of December 31, 2005. The effect on revenues due to the increase in our subscriber base was partially offset by a decrease in tariffs in the Moscow license area and an increase in mass-market subscribers in our subscriber mix.

Moscow cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 5.8% to \$540.2 million from \$510.6 million for the year ended December 31, 2004. The growth occurred mainly as a result of a \$39.4 million increase in interconnection charges and line rental expenses driven by an increase in the number of leased lines, which were partially offset by a \$9.1 million decrease in roaming expenses. Cost of handsets and accessories decreased to \$229.7 million, or 12.3% of

segment revenues, for the year ended December 31, 2005 from \$230.4 million, or 13.6% of segment revenues, for the year ended December 31, 2004.

Moscow gross margin increased by 12.2% to \$1,327.3 million in the year ended December 31, 2005 from \$1,183.1 million in the year ended December 31, 2004. Moscow's gross margin percentage increased to 71.1% in the year ended December 31, 2005 from 69.9% in the year ended December 31, 2004. The main reasons for the increase in the gross margin by 1.2% were economies of scale and increased roaming margins.

Ukraine revenues increased by 44.4% to \$1,201.8 million in the year ended December 31, 2005 from \$832.3 million in the year ended December 31, 2004. The main reason for the growth in sales revenues was an increase in UMC's subscriber base from 7.4 million as of December 31, 2004 to 13.3 million as of December 31, 2005, which was partially offset by a decrease in tariffs in Ukraine and an increase in mass-market subscribers in the subscriber mix.

Ukraine cost of services and cost of handsets and accessories for the years ended December 31, 2005 and 2004 were \$344.0 million and \$221.2 million, respectively. The growth occurred primarily due to an increase of \$105.9 million in interconnection and line rental expenses and a \$12.2 million increase in cost of SIM and Jeans cards. Interconnection and line rental expenses increased to \$218.7 million, or 18.2% of segment revenues, in the year ended December 31, 2005 from \$112.8 million, or 13.6% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in the number of leased lines and overall growth in traffic on the network. Cost of handsets and accessories increased to \$100.4 million, or 8.4% of segment revenues, in the year ended December 31, 2005 from \$87.6 million, or 10.5% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in cost for SIM cards used by new subscribers.

Ukraine gross margin for the year ended December 31, 2005 grew to \$857.8 million from \$611.1 million for the year ended December 31, 2004. As a percentage of total revenues, gross margin decreased to 71.4% in the year ended December 31, 2005, from 73.4% in the year ended December 31, 2004. This decrease in gross margin was mainly due to increased interconnection and line rental expenses.

North-West revenues for the year ended December 31, 2005 increased by 10.6% to \$384.7 million from \$347.9 million for the year ended December 31, 2004. Our subscriber base in the North-West license areas increased by 40.6% from 3.2 million as of December 31, 2004 to 4.5 million as of December 31, 2005. The growth in subscribers in percentage terms is higher than the growth in revenues mainly because the newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network. In addition, the roaming revenues for the North-West macro-region declined slightly when our branches ceased charging for roaming expenses starting July 1, 2005 when Telecom XXI merged with us.

North-West cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 5.3% to \$56.1 million from \$53.3 million for the year ended December 31, 2004. Interconnection and line rental expenses increased to \$29.8 million, or 7.8% of segment revenues, in the year ended December 31, 2005 from \$19.1 million, or 5.5% of segment revenues, in the year ended December 31, 2004 mainly due to an increase of the number of leased lines in use and overall growth in traffic on the network. Roaming expenses decreased to \$14.5 million, or 3.8% of segment revenues, for the year ended December 31, 2005 from \$18.9 million, or 5.4% of segment revenues, for the year ended December 31, 2004 mainly due to the fact that roaming expenses were not charged by our branches for calls to the North-West macro-region starting July 1, 2005 when Telecom XXI merged with us.

North-West gross margin increased by 11.6% to \$328.6 million in the year ended December 31, 2005 from \$294.6 million in the year ended December 31, 2004. North-West gross margin percentage increased to 85.4% during the year ended December 31, 2005, as compared to 84.7% during year ended

December 31, 2004. The increase in gross margin was primarily the result of an increase in roaming margins.

South revenues for the year ended December 31, 2005 increased by 33.7% to \$347.8 million from \$260.2 million for the year ended December 31, 2004. Our subscriber base in the South license area increased by 115.6% from 3.2 million as of December 31, 2004 to 6.9 million as of December 31, 2005. The growth in subscribers in percentage terms is higher than the growth in revenues mainly because the newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network.

South cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 76.8% to \$60.3 million from \$34.1 million for the year ended December 31, 2004. This was primarily due to a \$14.9 million increase in interconnection and line rental expenses to \$33.4 million, or 9.6% of segment revenues, in the year ended December 31, 2005 from \$18.5 million, or 7.1% of segment revenues, in the year ended December 31, 2004. This increase is mainly due to an increase in the number of base stations in use and overall growth in traffic on the network. Cost of handsets and accessories increased to \$18.5 million, or 5.3% of segment revenues, in the year ended December 31, 2005 from \$6.6 million, or 2.5% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in the cost for SIM cards used by new subscribers.

South gross margin increased by 27.2% to \$287.5 million in the year ended December 31, 2005 from \$226.1 million in the year ended December 31, 2004. South's gross margin percentage decreased to 82.7% in the year ended December 31, 2005 from 86.9% in the year ended December 31, 2004 primarily as the result of an increase in the cost for SIM cards used by new subscribers.

Siberia revenues for the year ended December 31, 2005 increased by 31.6% to \$296.4 million from \$225.2 million for the year ended December 31, 2004. Our subscriber base in the Siberia license area increased by 100.0% from 2.1 million as of December 31, 2004 to 4.2 million as of December 31, 2005. The growth in subscribers in percentage terms is higher than the growth in revenues mainly because the newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network.

Siberia cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 39.1% to \$67.9 million from \$48.8 million for the year ended December 31, 2004. This increase was primarily due to an \$11.9 million increase in interconnection and line rental expenses to \$33.1 million, or 11.2% of segment revenues, in the year ended December 31, 2005 from \$21.2 million, or 9.4% of segment revenues, in the year ended December 31, 2004. The increase in such expenses was due to the growth in the number of leased lines in use and overall growth in traffic on the network. Cost of handsets and accessories increased to \$17.6 million, or 5.9% of segment revenues, in the year ended December 31, 2005 from \$16.5 million, or 7.3% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in the cost for SIM cards used by new subscribers.

Siberia gross margin increased by 29.5% to \$228.5 million in the year ended December 31, 2005 from \$176.4 million in the year ended December 31, 2004. Siberia's gross margin percentage decreased to 77.1% in the year ended December 31, 2005 from 78.3% in the year ended December 31, 2004 primarily as the result of an increase in the interconnection and line rental costs.

Far East revenues for the year ended December 31, 2005 increased by 155.8% to \$282.9 million from \$110.6 million for the year ended December 31, 2004. Our subscriber base in the Far East license area increased by 116.7% from 1.2 million as of December 31, 2004 to 2.6 million as of December 31, 2005. The increase in revenues was mainly due to growth in the subscriber base, but was also partially attributable to the full consolidation in 2005 of the subsidiaries acquired in December 31, 2004: Sibintertelecom and Gorizont-RT. Sibintertelecom and Gorizont-RT contributed \$40.0 million and \$35.2 million to the

revenues of Far East in the year ended December 31, 2005, respectively. In addition, Far East consolidated for the full 2005 financial year Primtefleon's revenues in the amount of \$126.6 million, compared to \$42.9 million in revenues for the six months we consolidated Primtefleon's results in 2004.

Far East cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 177.5% to \$72.7 million from \$26.2 million for the year ended December 31, 2004. Sibintertelecom and Gorizont-RT contributed together \$13.0 million to the increase, while Primtefleon's cost of services and cost of sales of handsets and accessories increased to \$36.0 million for the year ended December 31, 2005 from \$9.1 million for the six months we consolidated Primtefleon's results in 2004. The organic growth in costs was in line with the increased revenue of Far East.

Far East gross margin increased by 149.1% to \$210.2 million in the year ended December 31, 2005 from \$84.4 million in the year ended December 31, 2004. Far East's gross margin percentage decreased to 74.3% in the year ended December 31, 2005 from 76.3% in the year ended December 31, 2004 primarily as the result of an increase in the number of leased lines in use and overall growth in traffic on the network concurrently with a general decrease in tariffs.

Other regions revenues for the year ended December 31, 2005 increased by 30.1% to \$1,054.9 million from \$810.9 million for the year ended December 31, 2004. Our subscriber base in these regions increased by 71.4% from 9.6 million as of December 31, 2004 to 16.5 million as of December 31, 2005, which is the result of our expansion into the regions both through organic growth and acquisitions. As of December 31, 2005, we had commenced commercial operations in 82 regions of Russia, compared to 77 as of December 31, 2004. The increase in revenues was mainly due to growth in the subscriber base, but was also partially attributable to the \$32.0 million in revenues contributed by BCTI, a subsidiary acquired in June 2005. In addition, we acquired a controlling stake in Uzdurobita in July 2004 and, as a result, consolidated its revenues in the amount of \$26.8 million for five months in 2004, as compared to \$86.5 million for the year ended December 31, 2005.

Other regions cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 40.6% to \$241.4 million from \$171.7 million for the year ended December 31, 2004. The growth occurred primarily due to a \$44.0 million increase in interconnection and line rental expenses and a \$19.2 million increase in roaming expenses. Interconnection and line rental expenses increased to \$105.8 million, or 10.0% of segment revenues, in the year ended December 31, 2005 from \$61.8 million, or 7.6% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in the number of base stations in use and overall growth in traffic on the network. Roaming expenses increased to \$49.0 million, or 4.6% of segment revenues, in the year ended December 31, 2005 from \$29.8 million, or 3.7% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in the subscriber base in the regions.

Other regions gross margin increased by \$174.3 million, or 27.3%, from \$639.2 million in the year ended December 31, 2004 to \$813.5 million in the year ended December 31, 2005, primarily due to an increase in the number of subscribers and acquisitions of new subsidiaries discussed above. Our gross margin percentage for the other regions segment decreased to 77.1% in the year ended December 31, 2005 from 78.8% in the year ended December 31, 2004, which can be explained by the same factors discussed above with respect to the decrease in the consolidated gross margin.

Sundry operating expenses

Consolidated sundry operating expenses for the year ended December 31, 2005 increased by 38.8% to \$876.3 million from \$631.5 million for the year ended December 31, 2004. The increase in sundry operating expenses was largely attributable to a general increase in expenses caused by subscriber growth. In addition, the full consolidation in 2005 of subsidiaries acquired in the second half of 2004, as well as the consolidation of the operating results of BCTI for six months in 2005 contributed \$31.1 million to

consolidated sundry operating expenses for the year ended December 31, 2005. In the year ended December 31, 2005, salary expenses and related social contributions increased by \$79.2 million due to an increase in personnel. Provision for doubtful accounts increased by \$23.9 million in the year ended December 31, 2005 due to an overall increase in service revenues. In addition, our operating expenses increased to \$67.2 million for the year ended December 31, 2005 from \$29.8 million for the same time period in 2004. This increase was due to the fact that the Federal Law on Communications created a “universal services reserve fund” to be funded by a levy imposed on all telecommunications service providers, including us. Accordingly, in May 2005, we started paying 1.2% of the difference between our total revenues from telecommunications services and revenues generated by interconnection and traffic transit services, which amounted to \$30.3 million in 2005. Generally, sundry operating expenses as a percentage of net revenues increased to 17.5% for the year ended December 31, 2005 from 16.2% in the year ended December 31, 2004.

Moscow sundry operating expenses for the year ended December 31, 2005 increased by 20.5% to \$281.3 million from \$233.4 million for the year ended December 31, 2004. Sundry operating expenses as a percentage of segment revenues increased to 15.1% for the year ended December 31, 2005 from 13.8% for the year ended December 31, 2004. The major reasons for this growth were the introduction of the “universal services reserve fund” discussed above, resulting in a \$15.3 million increase in Moscow’s other operating expenses, an increase in salaries, bonuses and related social contributions for additional personnel of \$6.9 million and an increase in the provision for doubtful accounts by \$5.2 million in line with an increase in service revenues.

Ukraine sundry operating expenses for the year ended December 31, 2005 were \$143.1 million, or 11.9% of segment revenues, while for the year ended December 31, 2004, these expenses were \$88.9 million, or 10.7% of segment revenues. The increase in such expenses in absolute terms during 2005 was the result of an overall increase in UMC’s activity. The main reason for the increase in sundry operating expenses as a percentage of segment revenues was related to a \$13.3 million increase in salary expenses and related social contributions, as well as an increase in rent and maintenance expenses by \$13.7 million in 2005, as compared to 2004.

North-West sundry operating expenses for the year ended December 31, 2005 increased by 32.3% to \$71.2 million from \$53.8 million for the year ended December 31, 2004. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$4.4 million, bad debt expenses of \$2.9 million and an obsolescence expense provision of \$1.5 million. Sundry operating expenses as a percentage of segment revenues increased to 18.5% for the year ended December 31, 2005, as compared to 15.5% for the year ended December 31, 2004. The main reason for this increase was due to overall growth in North-West, as well as charges incurred in connection with the “universal services reserve fund,” which created an increase in other operating expenses in the amount of \$3.8 million for the year ended December 31, 2005.

South sundry operating expenses for the year ended December 31, 2005 increased by 24.1% to \$58.2 million from \$46.9 million for the year ended December 31, 2004. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$6.1 million and bad debt expenses of \$3.1 million. Sundry operating expenses as a percentage of segment revenues decreased to 16.7% for the year ended December 31, 2005, as compared to 18.0% for the year ended December 31, 2004. The main reason for this decrease was a reduction in repair and maintenance expenses from \$12.6 million, or 4.8% of segment revenues, for the year ended December 31, 2005, to \$6.5 million, or 1.9% of segment revenues, for the year ended December 31, 2004.

Siberia sundry operating expenses for the year ended December 31, 2005 increased by 38.9% to \$63.2 million from \$45.5 million for the year ended December 31, 2004. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$6.2 million, bad

debt expenses of \$2.2 million, rent expenses of \$2.8 million and other operating expenses of \$2.4 million. The increases were primarily the result of the general expansion of our network in the region. Sundry operating expenses as a percentage of segment revenues increased to 21.3% for the year ended December 31, 2005, as compared to 20.2% for the year ended December 31, 2004. The main reason for this increase was increased rent expenses and the introduction of charges in connection with the “universal services reserve fund” in May 2005.

Far East sundry operating expenses for the year ended December 31, 2005 increased by 186.8% to \$67.4 million from \$23.5 million for the year ended December 31, 2004. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$18.2 million, general and administrative expenses of \$6.9 million, rent expenses of \$5.3 million and bad debt expenses of \$3.0 million. The increases were primarily the result of the full consolidation in 2005 of subsidiaries acquired in December 2004: Gorizont-RT and Sibintertelecom. These subsidiaries contributed together \$16.6 million to Far East’s operating expenses in the year ended December 31, 2005. In addition, sundry operating expenses increased by \$9.3 million as a result of the full consolidation in 2005 of Primtelefon. Sundry operating expenses as a percentage of segment revenues increased to 23.8% for the year ended December 31, 2005, as compared to 21.2% for the year ended December 31, 2004.

Other regions sundry operating expenses for the year ended December 31, 2005 increased by 33.8% to \$199.6 million from \$149.2 million for the year ended December 31, 2004. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$24.1 million and administrative and rent expenses of \$13.8 million for additional offices and expanded operations. Sundry operating expenses as a percentage of segment revenues slightly increased to 18.9% for the year ended December 31, 2005, as compared to 18.4% for the year ended December 31, 2004 mainly due to the introduction in May 2005 of a “universal services reserve fund,” in accordance with the Federal Law on Communications.

Sales and marketing expenses

Consolidated sales and marketing expenses for the year ended December 31, 2005 increased by 31.9% to \$608.1 million from \$461.0 million for the year ended December 31, 2004. The increase in sales and marketing expenses was largely related to our strategy to develop our subscriber base through organic growth. The components of growth in sales and marketing expenses were an increase of \$57.5 million in commissions to dealers and an increase of \$89.6 million in advertising and promotion expenses. The increase in commissions to dealers was primarily due to an increase in the volume of sales through dealers. The increase in advertising and promotion expenses related to increased overall marketing efforts and relatively higher costs of television commercials. Sales and marketing expenses as a percentage of net revenues increased to 12.1% for the year ended December 31, 2005 from 11.9% for the year ended December 31, 2004.

Moscow sales and marketing expenses for the year ended December 31, 2005 increased by 13.0% to \$191.0 million from \$169.1 million for the year ended December 31, 2004. Sales and marketing expenses as a percentage of segment revenues increased to 10.2% for the year ended December 31, 2005 from 10.0% for the year ended December 31, 2004. Moscow has traditionally incurred consolidated costs of national TV advertising campaigns, which have experienced significant inflation in the last few years. We do not allocate a portion of these advertising costs to the macro-regions despite the fact that these regions benefit from our national advertising.

Ukraine sales and marketing expenses for the year ended December 31, 2005 were \$129.7 million, or 10.8% of segment revenues, and \$79.4 million, or 9.5% of segment revenues, for the year ended December 31, 2004. Absolute growth in these expenses for the year ended December 31, 2005 occurred mainly as the result of overall growth in UMC’s activity. The increase in sales and marketing expenses as a

percentage of segment revenues was caused by an increase in advertising and promotion expenses from 3.6% to 4.8% of segment revenues due to extensive advertising campaigns organized in 2005. Dealers' commissions remained at 6.0% of segment revenues for the years ended December 31, 2005 and 2004.

North-West sales and marketing expenses for the year ended December 31, 2005 decreased by 20.0% to \$39.9 million from \$49.9 million for the year ended December 31, 2004, as a result of a decrease in dealer commission rates in the first quarter of 2005 primarily in St. Petersburg. Sales and marketing expenses as a percentage of segment revenues decreased to 10.4% for the year ended December 31, 2005 from 14.3% for the year ended December 31, 2004. The main reason for this decrease was due to the fact that dealer commission rates were historically higher in North-West and as competition increased among dealers, we were able to adjust dealers' commissions to the lower prevailing market rates. The decrease was partially offset by the increase in the number of new subscribers obtained through dealers.

South sales and marketing expenses for the year ended December 31, 2005 increased by 88.7% to \$57.0 million from \$30.2 million for the year ended December 31, 2004 due to an increase in dealers' commissions as the result of a general increase in sales volume through dealers. Sales and marketing expenses as a percentage of segment revenues increased to 16.4% for the year ended December 31, 2005 from 11.6% for the year ended December 31, 2004. The main reason for this growth was an increase in dealers' commissions as a percentage of segment revenues to 13.2% for the year ended December 31, 2005 from 9.8% for the year ended December 31, 2004.

Siberia sales and marketing expenses for the year ended December 31, 2005 increased by 96.5% to \$39.1 million from \$19.9 million for the year ended December 31, 2004, mainly as a result of further expansion in the regions. Sales and marketing expenses as a percentage of segment revenues increased to 13.2% for the year ended December 31, 2005 from 8.8% for the year ended December 31, 2004. The main reason for this growth was an increase of dealers' commissions as a percentage of segment revenues to 9.2% for the year ended December 31, 2005 from 5.6% for the year ended December 31, 2004. Dealers' commissions increased as a result of a general increase in sales volume through dealers.

Far East sales and marketing expenses for the year ended December 31, 2005 increased by 190.5% to \$21.5 million from \$7.4 million for the year ended December 31, 2004, mainly as a result of the full consolidation in 2005 of subsidiaries acquired in December 2004: Gorizont-RT and Sibintertelecom. These subsidiaries contributed together \$6.1 million to the increase in sales and marketing expenses. Sales and marketing expenses as a percentage of segment revenues increased to 7.6% for the year ended December 31, 2005 from 6.7% for the year ended December 31, 2004. The main reason for this growth was a general increase in sales volume through dealers.

Other regions sales and marketing expenses for the year ended December 31, 2005 increased by 23.3% to \$141.3 million from \$114.6 million for the year ended December 31, 2004, as a result of the expansion of our regional operations. The main reasons for this increase were the growth in advertising expenses (in order to promote our services in the regions and continue our regional expansion) and dealers' commissions caused by increases in our subscriber base. Sales and marketing expenses as a percentage of segment revenues decreased to 13.4% for the year ended December 31, 2005 from 14.1% for the year ended December 31, 2004.

Depreciation and amortization expenses

Consolidated depreciation and amortization of property, network equipment, telephone numbering capacity, license costs and other intangible assets for the year ended December 31, 2005 increased by 34.2% to \$907.1 million from \$675.7 million for the year ended December 31, 2004. Depreciation and amortization expenses as a percentage of net revenues increased to 18.1% for the year ended December 31, 2005 from 17.4% for the year ended December 31, 2004. The increase was attributable to the increased asset base resulting from our continuing expansion of our network and acquisition of regional operators in and outside Russia.

Moscow depreciation and amortization for the year ended December 31, 2005 increased by 15.3% to \$224.7 million from \$194.9 million for the year ended December 31, 2004. Depreciation and amortization expenses as a percentage of segment revenues increased to 12.0% for the year ended December 31, 2005 from 11.5% for the year ended December 31, 2004 mainly due to significant investments in our intangible assets due to the implementation of a new billing system and the accelerated amortization of the previous one.

Ukraine depreciation and amortization for the year ended December 31, 2005 was \$153.8 million, or 12.8% of segment revenues, and \$124.9 million, or 15.0% of segment revenues, for the year ended December 31, 2004. Absolute growth in depreciation and amortization expense was mainly due to the continued buildout of UMC's network in Ukraine. The decrease in depreciation and amortization expense as a percentage of segment revenues was mainly due to the effect of economies of scale.

North-West depreciation and amortization for the year ended December 31, 2005 increased by 34.7% to \$86.2 million from \$64.0 million for the year ended December 31, 2004 and increased as a percentage of segment revenues to 22.4% from 18.4%. This increase was mainly the result of significant investments in our network and implementation of a new billing system that caused additional amortization charges, as well as the accelerated amortization of the previous billing system.

South depreciation and amortization for the year ended December 31, 2005 increased by 11.9% to \$91.4 million from \$81.7 million for the year ended December 31, 2004 and decreased as a percentage of segment revenues to 26.3% from 31.4% mainly due to an economies of scale effect.

Siberia depreciation and amortization for the year ended December 31, 2005 increased by 38.7% to \$54.8 million from \$39.5 million for the year ended December 31, 2004 and increased as a percentage of segment revenues to 18.5% from 17.5% mainly due to the continued buildout of our network in Siberia and the implementation of a new billing system.

Far East depreciation and amortization for the year ended December 31, 2005 increased by 174.4% to \$42.8 million from \$15.6 million for the year ended December 31, 2004 mainly due to the full consolidation in 2005 of subsidiaries acquired in December 2004: Gorizont-RT and Sibintelecom. These subsidiaries together contributed \$17.0 million to depreciation and amortization expenses of the Far East. In addition, the growth in depreciation and amortization expenses was the result of the full consolidation in 2005 of Primtelefon, which results were included in the consolidated financial statements starting June 2004, as well as significant investments in the network. As a percentage of segment revenues, depreciation and amortization increased to 15.1% for the year ended December 31, 2005 compared to 14.1% for the year ended December 31, 2004, primarily due to the continued buildout of the network.

Other regions depreciation and amortization for the year ended December 31, 2005 increased by 62.9% to \$257.9 million from \$158.3 million for the year ended December 31, 2004 and increased as a percentage of segment revenues to 24.4% from 19.5%. The increase in the depreciation and amortization expense was driven primarily by two factors: the continued buildout of our network in the regions and the implementation of a new billing system.

Operating Income

Consolidated operating income for the year ended December 31, 2005 increased by 15.0% to \$1,632.0 million, including \$431.3 million of UMC's results after intercompany elimination, for the year ending December 31, 2005, from \$1,419.1 million for the year ended December 31, 2004, of which \$317.9 million was contributed by UMC. Operating income as a percentage of net revenues decreased to 32.6% for the year ended December 31, 2005 compared to 36.5% for the year ended December 31, 2004, mainly due to the following factors: increased interconnection and line rental expenses, additional depreciation and amortization expenses discussed above and a levy imposed in connection with the "universal services reserve fund" established in accordance with the Federal Law on Communications commencing in May 2005.

Moscow operating income for the year ended December 31, 2005 increased by 7.6% to \$630.3 million from \$585.7 million for the year ended December 31, 2004 and decreased as a percentage of segment revenues to 33.8% for the year ended December 31, 2005, from 34.6% for the year ended December 31, 2004, mainly due to charges incurred in connection with the "universal services reserve fund" commencing in May 2005.

Ukraine operating income for the year ended December 31, 2005 was \$431.3 million, or 35.9% of segment revenues, and \$317.9 million, or 38.2% of segment revenues, for the year ended December 31, 2004. Absolute growth in operating income was primarily the result of overall growth in UMC's subscriber base and the continued buildout of its network. A decrease in operating income as a percentage of segment revenues occurred mainly due to increased interconnection and line rental expenses, as well as an increase in advertising and marketing expenses.

North-West operating income for the year ended December 31, 2005 increased by 3.6% to \$131.4 million, or 34.2% of segment revenues, from \$126.8 million, or 36.4% of segment revenues, for the year ended December 31, 2004. The main reasons for the slight decrease in operating income as a percentage of segment revenues were an increase in interconnection and line rental costs, growth in depreciation expense incurred and charges imposed in connection with the "universal services reserve fund," which were partially offset by a decrease in dealers' commissions.

South operating income for the year ended December 31, 2005 increased to \$80.9 million, or 23.3% of segment revenues, from \$67.2 million, or 25.8% of segment revenues, for the year ended December 31, 2004. The main reasons for the decrease of operating income as a percentage of segment revenues were the increase in interconnection and line rental costs and the growth in sales and marketing expenses.

Siberia operating income for the year ended December 31, 2005 and 2004 was stable in the amount of \$71.4 million. Operating income as a percentage of segment revenues for the year ended December 31, 2005 decreased to 24.1% of segment revenues from 31.7% for the year ended December 31, 2004. This decrease was the result of increased dealer commissions, growth in depreciation expense and increased interconnection and line rental expenses.

Far East operating income for the year ended December 31, 2005 increased to \$78.5 million from \$37.9 million for the year ended December 31, 2004, mainly due to the full consolidation in 2005 of subsidiaries acquired in December 2004: Gorizont-RT and Sibintertelecom. Operating income as a percentage of segment revenues for the year ended December 31, 2005 decreased to 27.7% of segment revenues from 34.3% for the year ended December 31, 2004. The main reasons for the decrease of operating income as a percentage of segment revenues were increases in dealer commissions, growth in depreciation expense incurred and increased payroll and social contribution expenses.

Other regions operating income for the year ended December 31, 2005 decreased by 1.4% to \$213.9 million, or 20.3% of segment revenues, from \$217.0 million, or 26.8% of segment revenues, for the year ended December 31, 2004. The main reasons for the decrease in operating income as a percentage of

segment revenues were the additional amortization expense incurred as a result of the implementation of a new billing system and a levy imposed on us in connection with the “universal services reserve fund.”

Results of Operations by Legal Entities

For comparison purposes, the following table sets forth selected financial information by legal entities, which was how we reported our segment information in prior years. As part of our restructuring, many of our subsidiaries merged with us and, therefore, going forward, we will report our financial data by macro-regions only.

	Year Ended December 31,		
	2003	2004 (in thousands)	2005
Revenues by legal entities			
MTS OJSC	\$1,471,198	\$2,129,544	\$2,360,542
UMC	394,038	832,313	1,201,827
Telecom XXI	210,460	297,194	382,897
Kuban-GSM	168,401	225,350	270,157
Other	432,770	796,256	1,220,550
Eliminations ⁽¹⁾	(130,669)	(393,663)	(424,955)
Revenues as reported	<u>\$2,546,198</u>	<u>\$3,886,994</u>	<u>\$5,011,018</u>
Costs of services, exclusive of depreciation and amortization shown separately below by legal entities and cost of handsets and accessories			
MTS OJSC	\$315,021	\$585,092	\$643,947
UMC	94,959	221,226	343,990
Telecom XXI	33,348	46,917	55,739
Kuban-GSM	20,870	22,963	35,516
Other	120,895	189,720	304,165
Eliminations ⁽¹⁾	(110,914)	(366,231)	(395,884)
Cost of services and cost of handsets and accessories as reported	<u>\$474,179</u>	<u>\$699,687</u>	<u>\$987,473</u>
Sundry operating expenses by legal entities⁽²⁾			
MTS OJSC	\$241,069	\$327,113	\$426,386
UMC	50,192	88,937	143,100
Telecom XXI	28,071	45,832	70,128
Kuban-GSM	25,385	37,091	33,492
Other	62,689	142,257	215,452
Eliminations ⁽¹⁾	(684)	(9,698)	(12,249)
Sundry operating expenses as reported	<u>\$406,722</u>	<u>\$631,532</u>	<u>\$876,309</u>
Sales and marketing expenses by legal entities			
MTS OJSC	\$187,325	\$240,146	\$285,902
UMC	50,791	79,355	129,651
Telecom XXI	31,627	42,244	39,573
Kuban-GSM	15,249	22,534	33,318
Other	43,423	86,275	130,981
Eliminations ⁽¹⁾	(1,632)	(9,571)	(11,333)
Sales and marketing expenses as reported	<u>\$326,783</u>	<u>\$460,983</u>	<u>\$608,092</u>

Depreciation and amortization by legal entities			
MTS OJSC	\$199,946	\$253,485	\$331,642
UMC	66,392	124,935	153,795
Telecom XXI	36,782	57,265	86,138
Kuban-GSM	32,299	68,140	67,927
Other	82,185	175,221	272,163
Eliminations ⁽¹⁾	(1,688)	(3,317)	(4,552)
Depreciation and amortization as reported	<u>\$415,916</u>	<u>\$675,729</u>	<u>\$907,113</u>
Operating Income by legal entities			
MTS OJSC	\$527,837	\$728,101	\$672,666
UMC	131,704	317,860	431,292
Telecom XXI	80,632	104,936	131,318
Kuban-GSM	74,599	74,622	99,904
Other	123,577	198,390	302,485
Eliminations ⁽¹⁾	(15,751)	(4,846)	(5,634)
Operating income as reported	<u>\$922,598</u>	<u>\$1,419,063</u>	<u>\$1,632,031</u>

(1) Represents the elimination of intercompany sales, sundry operating expenses, sales and marketing expenses and the related operating income, primarily for intercompany roaming arrangements and management and marketing support provided by MTS OJSC to regional companies, as well as of other intercompany transactions.

(2) For the purposes of this analysis, "Sundry operating expenses" consist of general and administrative expenses, provision for doubtful accounts and other operating expenses (including charges incurred in connection with the "universal services reserve fund").

Year Ended December 31, 2005 compared to Year Ended December 31, 2004 by legal entities

Revenues and cost of services and cost of handsets and accessories

Consolidated revenues for the year ended December 31, 2005 increased by \$1,124.0 million, or 28.9%, to \$5,011.0 million from \$3,887.0 million for the year ended December 31, 2004. This increase was primarily due to the significant growth in our subscriber base from 34.2 million as of December 31, 2004 to 58.2 million as of December 31, 2005. The growth was mainly attributable to our sales and marketing efforts and the expansion of our network, as well as improving general economic conditions and income levels in Russia and Ukraine. A portion of revenue growth was also due to the acquisition of BCTI in June 2005, which contributed \$33.4 million to our revenues for the year ended December 31, 2005, as well as the full consolidation in 2005 of Uzdurobita, which we acquired in July 2004. The increase in revenues from subscriber growth was partially offset by a decrease in tariffs in Moscow and other highly competitive license areas, an increase in mass-market subscribers in our subscriber mix and our continued expansion into the regions of Russia outside of the Moscow license area where tariffs are lower. As a result, average monthly service revenue per subscriber in Russia decreased by 33% from \$12 per subscriber for the year ended December 31, 2004 to \$8 for the year ended December 31, 2005.

For the year ended December 31, 2005, service revenues and connection fees increased by \$1,142.0 million, or 30.1%, to \$4,942.3 million compared to \$3,800.3 million for the year ended December 31, 2004 due to the growth in the number of our subscribers, as explained above. Revenues from the sales of handsets and accessories decreased by \$18.0 million, or 20.8%, to \$68.7 million for the

year ended December 31, 2005 compared to the year ended December 31, 2004, due to a reduction in the number of handsets sold while the average selling price of handsets remained at the same level.

Consolidated cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 41.1% to \$987.5 million from \$699.7 million for the year ended December 31, 2004. The increase in costs was primarily attributable to subscriber growth and related growth in traffic related expenses. For the year ended December 31, 2005, interconnection and line rental expenses grew to \$598.3 million from \$352.6 million for the year ended December 31, 2004 and roaming expenses grew to \$134.5 million from \$128.5 million. For the year ended December 31, 2005, cost of handsets and accessories sold, including SIM cards provided to customers, grew to \$254.6 million from \$218.6 million for the year ended December 31, 2004.

Consolidated gross margin was \$4,023.5 million, or 80.3% of consolidated revenues for the year ended December 31, 2005, compared to \$3,187.3 million, or 82.0% of consolidated revenues for the year ended December 31, 2004. The decrease in our consolidated gross margin percentage is due to increased interconnection and line rental charges as a result of the further expansion of our network and increased rental charges payable to other operators for access to their networks in 2005 and, to some extent, the increased costs associated with SIM and Jeans cards used by new subscribers.

MTS OJSC revenues for the year ended December 31, 2005 increased by 10.8% to \$2,360.5 million from \$2,129.5 million for the year ended December 31, 2004. Our subscriber base in the MTS OJSC license areas increased by 35.6% from 7.5 million as of December 31, 2004 to 10.2 million as of December 31, 2005. The effect on revenues of the increase in our subscriber base was partially offset by a decrease in tariffs in the Moscow license area and an increase of mass-market subscribers in our subscriber mix.

MTS OJSC cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 10.0% to \$643.9 million from \$585.1 million for the year ended December 31, 2004. The growth occurred mainly as the result of a \$63.6 million increase in interconnection and line rental expenses to \$201.5 million, or 8.5% of segment revenues, for the year ended December 31, 2005 from \$134.7 million, or 6.5% of segment revenues, for the year ended December 31, 2004. This was primarily driven by the growth in traffic volume, as well as an increase in the number of leased lines and increased costs of value-added services. Roaming expenses increased to \$176.7 million, or 7.5% of segment revenues, for the year ended December 31, 2005 from \$172.3 million, or 8.1% of segment revenues, for the year ended December 31, 2004. Cost of handsets and accessories decreased to \$265.7 million, or 11.3% of segment revenues, for the year ended December 31, 2005 from \$274.9 million, or 12.9% of segment revenues, for the year ended December 31, 2004.

MTS OJSC gross margin increased by 11.1% to \$1,716.6 million in the year ended December 31, 2005 from \$1,544.4 million in the year ended December 31, 2004. MTS OJSC's gross margin percentage increased to 72.7% in the year ended December 31, 2005 from 72.5% in the year ended December 31, 2004.

UMC revenues increased by 44.4% to \$1,201.8 million in the year ended December 31, 2005 from \$832.3 million in the year ended December 31, 2004. The main reason for the growth in sales revenues was an increase in UMC's subscriber base from 7.4 million as of December 31, 2004 to 13.3 million as of December 31, 2005, which was partially offset by a decrease in tariffs in Ukraine and an increase of mass-market subscribers in the subscriber mix.

UMC cost of services and cost of handsets and accessories for the years ended December 31, 2005 and 2004 were \$344.0 million and \$221.2 million, respectively. The growth occurred primarily due to an increase of \$105.9 million in interconnection and line rental expenses and a \$12.2 million increase in cost of SIM and Jeans cards. Interconnection and line rental expenses increased to \$218.7 million, or 18.2% of

segment revenues, in the year ended December 31, 2005 from \$112.8 million, or 13.6% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in the number of leased lines and overall growth in traffic on the network. Cost of handsets and accessories increased to \$100.4 million, or 8.4% of segment revenues, in the year ended December 31, 2005 from \$87.6 million, or 10.5% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in cost for SIM cards used by new subscribers.

UMC gross margin for the year ended December 31, 2005 grew to \$857.8 million from \$611.1 million for the year ended December 31, 2004. As a percentage of total revenues, gross margin decreased to 71.4% in the year ended December 31, 2005, from 73.4% in the year ended December 31, 2004. This decrease in gross margin was mainly due to increased interconnection and line rental expenses.

Telecom XXI revenues for the year ended December 31, 2005 increased by 28.8% to \$382.9 million from \$297.2 million for the year ended December 31, 2004. Our subscriber base in the Telecom XXI license areas increased by 37.0% from 2.7 million as of December 31, 2004 to 3.7 million as of December 31, 2005. The growth in subscribers in percentage terms is higher than the growth in revenues mainly because the newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network.

Telecom XXI cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 18.8% to \$55.7 million from \$46.9 million for the year ended December 31, 2004. Interconnection and line rental expenses increased to \$29.8 million, or 7.8% of segment revenues, in the year ended December 31, 2005 from \$15.2 million, or 5.1% of segment revenues, in the year ended December 31, 2004 mainly due to an increase of the number of base stations in use and overall growth in traffic on the network. Roaming expenses decreased to \$14.5 million, or 3.8% of segment revenues, for the year ended December 31, 2005 from \$18.9 million, or 6.4% of segment revenues, for the year ended December 31, 2004 mainly due to the fact that roaming expenses were not charged by our branches for calls to the North-West macro-region starting July 1, 2005 when Telecom XXI merged with us.

Telecom XXI gross margin increased by 30.7% to \$327.2 million in the year ended December 31, 2005 from \$250.3 million in the year ended December 31, 2004. Telecom XXI gross margin percentage increased to 85.5% during the year ended December 31, 2005, as compared to 84.2% during the year ended December 31, 2004. The increase in the gross margin was mainly the result of increased roaming margins.

Kuban-GSM revenues for the year ended December 31, 2005 increased by 19.9% to \$270.2 million from \$225.4 million for the year ended December 31, 2004. Our subscriber base in the Kuban-GSM license area increased by 88.0% from 2.5 million as of December 31, 2004 to 4.7 million as of December 31, 2005. The growth in subscribers in percentage terms is higher than the growth in revenues mainly because the newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network.

Kuban-GSM cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 54.3% to \$35.5 million from \$23.0 million for the year ended December 31, 2004. This was primarily driven by an increase in interconnection and line rental expenses, cost of handsets and accessories and SIM cards. Interconnection and line rental expenses increased by \$6.4 million to \$20.6 million, or 7.6% of segment revenues, in the year ended December 31, 2005 from \$14.2 million, or 6.3% of segment revenues, in the year ended December 31, 2004. This increase is mainly due to an increase in the number of leased lines and overall growth in traffic on the network. Cost of handsets and accessories increased to \$11.6 million, or 4.3% of segment revenues, in the year ended December 31, 2005 from \$4.4 million, or 2.0% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in cost for SIM cards used by new subscribers.

Kuban-GSM gross margin increased by 16.0% to \$234.7 million in the year ended December 31, 2005 from \$202.4 million in the year ended December 31, 2004. Kuban-GSM's gross margin percentage decreased to 86.9% in the year ended December 31, 2005 from 89.8% in the year ended December 31, 2004 primarily as the result of an increase in cost for SIM cards used by new subscribers.

Other regions revenues for the year ended December 31, 2005 increased by 53.3% to \$1,220.6 million from \$796.3 million for the year ended December 31, 2004. Our subscriber base in these regions increased by 79.7% from 7.9 million as of December 31, 2004 to 14.2 million as of December 31, 2005, which is the result of our expansion into the regions mainly through organic growth. As of December 31, 2005, we had commenced commercial operations in 82 regions of Russia, compared to 77 as of December 31, 2004. The growth in subscribers in percentage terms is higher than revenue growth mainly due to the fact that newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network. The increase in revenues was mainly due to growth in the subscriber base, but was also partially attributable to the full consolidation in 2005 of subsidiaries acquired in December 2004: Sibintertelecom and Gorizont-RT. Sibintertelecom and Gorizont-RT contributed \$40.0 million and \$32.5 million to other regions revenue, respectively, in the year ended December 31, 2005. Another reason for the increase in other regions revenue was the full consolidation in 2005 of our subsidiaries, Primtelefon and Uzdurobita, acquired in June and July 2004, respectively.

Other regions cost of services and cost of handsets and accessories for the year ended December 31, 2005 increased by 60.4% to \$304.2 million from \$189.7 million for the year ended December 31, 2004. The growth occurred primarily due to a \$62.4 million increase in interconnection and line rental expenses and a \$26.2 million increase in cost of handsets and accessories. In addition, Sibintertelecom and Gorizont-RT together contributed \$13.0 million to the increase of the costs, while cost of services and of sales of handsets and accessories in Primtelefon increased to \$36.0 million for the year ended December 31, 2005 from \$9.1 million for the six months we consolidated Primtelefon's results in 2004. Interconnection and line rental expenses increased to \$139.0 million, or 11.4% of segment revenues, in the year ended December 31, 2005 from \$76.6 million, or 9.6% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in the number of base stations in use and overall growth in traffic on the network. Cost of handsets and accessories increased to \$89.8 million, or 7.4% of segment revenues, in the year ended December 31, 2005 from \$63.6 million, or 8.0% of segment revenues, in the year ended December 31, 2004 mainly due to an increase in cost for SIM cards used by new subscribers.

Other regions gross margin increased by \$309.8 million, or 51.1%, from \$606.6 million in the year ended December 31, 2004 to \$916.4 million in the year ended December 31, 2005, primarily due to an increase in the number of subscribers. Our gross margin percentage for the other regions segment decreased to 75.1% in the year ended December 31, 2005 from 76.2% in the year ended December 31, 2004, which can be explained by the same factors discussed above with respect to the decrease in the consolidated gross margin percentage.

Sundry operating expenses

Consolidated sundry operating expenses for the year ended December 31, 2005 increased by 38.8% to \$876.3 million from \$631.5 million for the year ended December 31, 2004. The increase in sundry operating expenses was largely attributable to a general increase in expenses caused by subscriber growth. In addition, the full consolidation in 2005 of subsidiaries acquired in the second half of 2004, as well as the consolidation of the operating results of BCTI for six months in 2005 contributed \$31.1 million to consolidated sundry operating expenses for the year ended December 31, 2005. In the year ended December 31, 2005, salary expenses and related social contributions increased by \$79.2 million due to an increase in personnel. Provision for doubtful accounts increased by \$23.9 million in the year ended December 31, 2005 due to an overall increase in service revenues. In addition, the operating expenses increased to \$67.2 million for the year ended December 31, 2005 from \$29.8 million for the same time

period in 2004. This increase was due to the fact that the Federal Law on Communications created a “universal services reserve fund” to be funded by a levy imposed on all telecommunications service providers, including us. Accordingly, in May 2005, we started paying 1.2% of the difference between our total revenues from telecommunications services and revenues generated by interconnection and traffic transit services, which amounted to \$30.3 million in 2005. Generally, sundry operating expenses as a percentage of net revenues increased to 17.5% for the year ended December 31, 2005 from 16.2% in the year ended December 31, 2004.

MTS OJSC sundry operating expenses for the year ended December 31, 2005 increased by 30.4% to \$426.4 million from \$327.1 million for the year ended December 31, 2004. The major reason for this growth was an increase in salaries, bonuses and related social contributions for additional personnel of \$33.0 million, and implementation of the “universal services reserve fund” charge in the amount of \$18.0 million. Sundry operating expenses as a percentage of segment revenues increased to 18.1% for the year ended December 31, 2005 from 15.4% for the year ended December 31, 2004. This increase was mainly attributable to our overall volume of operations and an increase in the bad debt provision expense from \$12.4 million for 2004, or 0.6% of segment revenues, to \$25.7 million for 2005, or 1.1% of segment revenues.

UMC sundry operating expenses for the year ended December 31, 2005 were \$143.1 million, or 11.9% of segment revenues, while for the year ended December 31, 2004, these expenses were \$88.9 million, or 10.7% of segment revenues. The increase in such expenses in absolute terms during 2005 was the result of an overall increase in UMC’s activity. The main reason for the increase in sundry operating expenses as a percentage of segment revenues was related to a \$13.3 million increase in salary expenses and related social contributions, as well as an increase in rent and maintenance expenses by \$13.7 million in 2005, as compared to 2004.

Telecom XXI sundry operating expenses for the year ended December 31, 2005 increased by 53.1% to \$70.1 million from \$45.8 million for the year ended December 31, 2004. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$7.4 million, bad debt expense of \$2.9 million and an obsolescence expense provision of \$1.5 million. Sundry operating expenses as a percentage of segment revenues increased to 18.3% for the year ended December 31, 2005, as compared to 15.4% for the year ended December 31, 2004. In addition, charges imposed in connection with the “universal services reserve fund” increased Telecom XXI’s sundry operating expenses by \$3.1 million.

Kuban-GSM sundry operating expenses for the year ended December 31, 2005 decreased by 9.7% to \$33.5 million from \$37.1 million for the year ended December 31, 2004. Sundry operating expenses as a percentage of segment revenues decreased to 12.4% for the year ended December 31, 2005, as compared to 16.5% for the year ended December 31, 2004. The most significant decrease was in the area of repair and maintenance of \$5.8 million, or 2.7% as a percentage of segment revenues.

Other regions sundry operating expenses for the year ended December 31, 2005 increased by 48.1% to \$210.8 million from \$142.3 million for the year ended December 31, 2004. The increases were primarily the result of the full consolidation in 2005 of subsidiaries acquired in December 2004: Gorizont-RT and Sibintelecom. These subsidiaries contributed together \$16.6 million to other region’s operating expenses in the year ended December 31, 2005. In addition, the full consolidation in 2005 of Primtelefon and Uzdurobita increased other regions sundry operating expenses by \$19.0 million. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$25.9 million and rent expenses of \$10.8 million for additional offices and expanded operations. Sundry operating expenses as a percentage of segment revenues remained stable at 17.3% and 17.9% for the years ended December 31, 2005 and 2004, respectively.

Sales and marketing expenses

Consolidated sales and marketing expenses for the year ended December 31, 2005 increased by 31.9% to \$608.1 million from \$461.0 million for the year ended December 31, 2004. The increase in sales and marketing expenses was largely related to our strategy to develop our subscriber base through organic growth. The components of growth in sales and marketing expenses were an increase of \$57.5 million in commissions to dealers and an increase of \$89.6 million in advertising and promotion expenses. The increase in commissions to dealers was primarily due to an increase in the volume of sales through dealers. The increase in advertising and promotion expenses related to increased overall marketing efforts and relatively higher costs of television commercials. Sales and marketing expenses as a percentage of net revenues increased to 12.1% for the year ended December 31, 2005 from 11.9% for the year ended December 31, 2004.

MTS OJSC sales and marketing expenses for the year ended December 31, 2005 increased by 19.1% to \$285.9 million from \$240.1 million for the year ended December 31, 2004. Sales and marketing expenses as a percentage of segment revenues increased to 12.1% for the year ended December 31, 2005 from 11.3% for the year ended December 31, 2004. MTS OJSC has traditionally incurred consolidated costs of national TV advertising campaigns, which have experienced significant inflation in the last few years. MTS does not allocate a portion of these advertising costs to Telecom XXI, Kuban-GSM and other regions segments even though sales in these regions benefit from this national advertising.

UMC sales and marketing expenses for the year ended December 31, 2005 were \$129.7 million, or 10.8% of segment revenues, and \$79.4 million, or 9.5% of segment revenues, for the year ended December 31, 2004. Absolute growth in these expenses for the year ended December 31, 2005 occurred mainly as the result of overall growth in UMC's activity. The increase in sales and marketing expenses as a percentage of segment revenues was caused by an increase in advertising and promotion expenses from 3.6% to 4.8% of segment revenues due to extensive advertising campaigns organized in 2005. Dealers' commissions remained at 6.0% of segment revenues for the years ended December 31, 2005 and 2004.

Telecom XXI sales and marketing expenses for the year ended December 31, 2005 decreased by 6.2% to \$39.6 million from \$42.2 million for the year ended December 31, 2004, as a result of a decrease in dealers' commissions by \$7.0 million. Sales and marketing expenses as a percentage of segment revenues decreased to 10.3% for the year ended December 31, 2005 from 14.2% for the year ended December 31, 2004. The main reason for this decrease was a decrease in dealer commission rates in 2005.

Kuban-GSM sales and marketing expenses for the year ended December 31, 2005 increased by 48.0% to \$33.3 million, or 12.3% of segment revenues, from \$22.5 million, or 10.0% of segment revenues, for the year ended December 31, 2004, as a result of an increase in dealers' commissions as a percentage of segment revenues to 10.5% for the year ended December 31, 2005 from 8.7% for the same period in 2004 due to a general increase in sales volume through dealers.

Other regions sales and marketing expenses for the year ended December 31, 2005 increased by 51.8% to \$131.0 million from \$86.3 million for the year ended December 31, 2004, as a result of our expansion of regional operations and the effect of acquisitions related thereto. The main reasons for this increase were the growth in advertising expenses (in order to promote our services in the regions and continue our regional expansion) and dealers' commissions caused by increases in our subscriber base. Sales and marketing expenses as a percentage of segment revenues remained stable at 10.7% and 10.8% for the years ended December 31, 2005 and 2004.

Depreciation and amortization expenses

Consolidated depreciation and amortization of property, network equipment, telephone numbering capacity, license costs and other intangible assets for the year ended December 31, 2005 increased by 34.2% to \$907.1 million from \$675.7 million for the year ended December 31, 2004. Depreciation and amortization expenses as a percentage of net revenues increased to 18.1% for the year ended

December 31, 2005 from 17.4% for the year ended December 31, 2004. The increase was attributable to an increased asset base resulting from the continuing expansion of our network and acquisition of regional operators in and outside Russia.

MTS OJSC depreciation and amortization for the year ended December 31, 2005 increased by 30.8% to \$331.6 million from \$253.5 million for the year ended December 31, 2004, and increased as a percentage of segment revenues to 14.0% for the year ended December 31, 2005 from 11.9% for the year ended December 31, 2004 mainly due to the continued buildout of our network in the regions and significant investments in our intangible assets due to the implementation of a new billing system and the accelerated amortization of the previous one.

UMC depreciation and amortization for the year ended December 31, 2005 was \$153.8 million, or 12.8% of segment revenues, and \$124.9 million, or 15.0% of segment revenues, for the year ended December 31, 2004. Absolute growth in depreciation and amortization expense was mainly due to the continued buildout of UMC's network in Ukraine. The decrease in depreciation and amortization expense as a percentage of segment revenues was mainly due to the effect of economies of scale.

Telecom XXI depreciation and amortization for the year ended December 31, 2005 increased by 50.3% to \$86.1 million from \$57.3 million for the year ended December 31, 2004 and increased as a percentage of segment revenues to 22.5% from 19.3%. This increase was mainly the result of significant investments in our network and the implementation of a new billing system that caused additional amortization charges, as well as the accelerated amortization of the previous billing system.

Kuban-GSM depreciation and amortization remained stable at \$67.9 million and \$68.1 million for the years ended December 31, 2005 and 2004, respectively, and decreased as a percentage of segment revenues to 25.1% from 30.2% due to the economies of scale effect and the intra-group transfer of property, plant and equipment.

Other regions depreciation and amortization for the year ended December 31, 2005 increased by 55.4% to \$272.2 million from \$175.2 million for the year ended December 31, 2004 and increased as a percentage of segment revenues to 22.3% from 22.0%. The increase in the depreciation and amortization expense was driven primarily by three factors: the continued buildout of our network in the regions, implementation of a new billing system and assets acquired through acquisitions.

Operating Income

Consolidated operating income for the year ended December 31, 2005 increased by 15.0% to \$1,632.0 million, including \$431.3 million of UMC's results after intercompany elimination, for the year ending December 31, 2005, from \$1,419.1 million for the year ended December 31, 2004, of which \$317.9 million was contributed by UMC. Operating income as a percentage of net revenues decreased to 32.6% for the year ended December 31, 2005 compared to 36.5% for the year ended December 31, 2004, mainly due to the following factors: increased interconnection and line rental expenses, additional depreciation and amortization expenses discussed above and a levy imposed in connection with the "universal services reserve fund" established in accordance with the Federal Law on Communications commencing in May 2005.

MTS OJSC operating income for the year ended December 31, 2005 decreased by 7.6% to \$672.7 million from \$728.1 million for the year ended December 31, 2004 and decreased as a percentage of segment revenues at 28.5% for the year ended December 31, 2005, as compared to 34.2% for the year ended December 31, 2004. This decrease was mainly caused by increased salaries and related social contributions, increased advertising and depreciation and amortization expenses.

UMC operating income for the year ended December 31, 2005 was \$431.3 million, or 35.9% of segment revenues, and \$317.9 million, or 38.2% of segment revenues, for the year ended December 31, 2004. Absolute growth in operating income was primarily the result of overall growth in UMC's subscriber base

and the continued buildout of its network. A decrease in operating income as a percentage of segment revenues occurred mainly due to increased interconnection and line rental expenses, as well as an increase in advertising and marketing expenses.

Telecom XXI operating income for the year ended December 31, 2005 increased by 25.2% to \$131.3 million, or 34.3% of segment revenues, from \$104.9 million, or 35.3% of segment revenues, for the year ended December 31, 2004. The main reasons for the decrease in operating income as a percentage of segment revenues were an increase in interconnection and line rental costs, growth in depreciation expense incurred and charges imposed in connection with the “universal services reserve fund,” which were partially offset by a decrease in dealers’ commissions.

Kuban-GSM operating income for the year ended December 31, 2005 increased to \$99.9 million, or 37.0% of segment revenues, from \$74.6 million, or 33.1% of segment revenues, for the year ended December 31, 2004. The main reason for the increase of operating income as a percentage of segment revenues was due to the decrease in repair and maintenance expenses in 2005, as compared to 2004.

Other regions operating income for the year ended December 31, 2005 increased by 53.4% in the aggregate to \$302.5 million from \$198.4 million for the year ended December 31, 2004 due to an overall increase in operations and the effect of acquisitions. The other regions operating income, however, remained stable at 24.9% for the years ended December 31, 2005 and 2004.

Currency exchange and transaction gain

Consolidated currency exchange and transaction gain for the year ended December 31, 2005 was \$10.3 million, compared to \$6.5 million for the year ended December 31, 2004. We conduct our operations primarily within the Russian Federation, Ukraine, Uzbekistan and Turkmenistan. We are subject to currency fluctuations, including U.S. dollar versus ruble/hryvnia/som/manat and U.S. dollar versus euro. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Financial Condition—Continued or increased limitations on the conversion of rubles to foreign currency in Russia could increase our costs when making payments in foreign currency to suppliers and creditors and could cause us to default on our obligations to them,” and “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk.”

Interest expense

Consolidated interest expense for the year ended December 31, 2005 increased by 22.7% to \$132.5 million from \$108.0 million for the year ended December 31, 2004, primarily as the result of additional interest expense incurred in conjunction with additional debt assumed in 2005.

Equity in net income of associates

Consolidated equity in net income of associates for the year ended December 31, 2005 increased to a gain of \$42.4 million, compared to a gain of \$24.1 million for the year ended December 31, 2004 primarily due to the increase in net income of associates and the significant growth in profit of MTS Belarus.

Other expenses (income), net

Consolidated other expenses (income) for the year ended December 31, 2005 decreased to a loss of \$13.2 million, as compared to a gain of \$9.3 million for the year ended December 31, 2004. The main reason for this change relates to the conversion losses in BCTI in the amount of \$6.7 million for the year ended December 31, 2005 and an Uzdurobita put/call option fair value accounting of a \$5.2 million gain in the year ended December 31, 2004.

Provision for income taxes

Consolidated provision for income taxes for the year ended December 31, 2005 increased by 15.8% to \$410.6 million from \$354.7 million for the year ended December 31, 2004. The effective tax rate increased to 26.3% in the year ended December 31, 2005 from 25.8% in the year ended December 31, 2004 mainly as a result of an increase in foreign currency exchange gains taxable for purposes of our statutory accounts and an increase in our non-deductible expenses.

Minority interest

Minority interest for the year ended December 31, 2005 decreased by \$3.4 million to \$26.9 million from \$30.3 million for the year ended December 31, 2004 as a result of purchases of additional stakes from minority shareholders in regional companies, the major ones being ReCom, Telesot Alania, Uraltel and Sibintertelecom.

Net income

Net income for the year ended December 31, 2005 increased by \$138.5 million, or 14.0%, to \$1,126.4 million, compared to \$987.9 million for the year ended December 31, 2004, due to overall growth in our operations and the factors discussed above. Net income as a percentage of revenues was 22.5% in the year ended December 31, 2005 and 25.4% in the year ended December 31, 2004. The main reason for the decrease in net income as a percentage of revenues was the relative increase as a percentage of revenues in costs of services and depreciation expenses.

In accordance with certain provisions of the license agreement with the government of Turkmenistan, we share net profit derived from the operations of the BCTI branch located in Turkmenistan. The amount of shared net profit is calculated based on the financial statements prepared in accordance with local GAAP subject to certain adjustments. We shared 49% of the net profit since the date of acquisition through December 21, 2005, and 20% of the net profit commencing December 21, 2005.

Year Ended December 31, 2004 compared to Year Ended December 31, 2003

Revenues and cost of services and cost of handsets and accessories

Consolidated revenues for the year ended December 31, 2004 increased by \$1,340.8 million, or 52.7%, to \$3,887.0 million from \$2,546.2 million for the year ended December 31, 2003. This increase was primarily due to the significant growth in our subscriber base from 16.72 million as of December 31, 2003 to 34.22 million as of December 31, 2004. As of December 31, 2003, UMC had 3.35 million subscribers, which grew to 7.37 million subscribers as of December 31, 2004. A portion of the growth in the subscriber base was due to acquisitions during the year ended December 31, 2004, including the two most significant acquisitions of Uzdurobita with 0.31 million subscribers and Primtelefon with 0.2 million subscribers. The growth was also attributable to our sales and marketing efforts and the expansion of our network, as well as improving general economic conditions and income levels in Russia and Ukraine. The increase in revenues from subscriber growth was partially offset by a decrease in tariffs in the Moscow and other highly competitive license areas, an increase of mass-market subscribers in our subscriber mix and our continued expansion into the regions of Russia outside of the Moscow license area where tariffs are lower. As a result, average monthly service revenue per subscriber in Russia decreased by 29.4% from \$17 per subscriber for the year ended December 31, 2003 to \$12 for the year ended December 31, 2004.

For the year ended December 31, 2004, service revenues and connection fees increased by \$1,335.2 million, or 54.2%, to \$3,800.3 million compared to \$2,465.1 million for the year ended December 31, 2003 due to the growth in the number of our subscribers, as explained above. Revenues from the sales of handsets and accessories increased by \$5.6 million, or 6.9%, for the year ended December 31, 2004 compared to the year ended December 31, 2003, due to growth in handsets sale activity. This growth was partially offset by a decline in the average selling price of handsets.

Consolidated cost of services and cost of handsets and accessories for the year ended December 31, 2004 increased by 47.6% to \$699.7 million from \$474.2 million for the year ended December 31, 2003. The increase in costs was primarily attributable to subscriber growth and related growth in traffic related expenses and cost of handsets and accessories sold. For the year ended December 31, 2004, interconnection and line rental expenses grew to \$352.6 million from \$187.3 million for the year ended December 31, 2003 and roaming expenses grew to \$128.5 million from \$113.8 million, respectively. For the year ended December 31, 2004, cost of handsets and accessories sold, including SIM cards provided to customers, grew to \$218.6 million from \$173.1 million for the year ended December 31, 2003.

Consolidated gross margin was \$3,187.3 million, or 82.0% of consolidated revenues for the year ended December 31, 2004, compared to \$2,072.0 million, or 81.4% of consolidated revenues for the year ended December 31, 2003. This slight increase in our consolidated gross margin percentage is due to lower interconnection and line rental charges payable to other operators for access to their networks relative to our increasing revenues because, as we have expanded our network, more calls are placed and completed solely within our network, thereby avoiding the need to pay such charges to other operators while still fully earning the related revenues from such calls. We also believe that this increase can be explained, in part, by lower costs of leasing telecommunication lines relative to our increasing revenues as we buildout our own fiber-optics network in our license areas.

MTS OJSC revenues for the year ended December 31, 2004 increased by 44.7% to \$2,129.5 million from \$1,471.2 million for the year ended December 31, 2003. Our subscriber base in the MTS OJSC license areas increased by 106.2% from 6.5 million as of December 31, 2003 to 13.4 million as of December 31, 2004. The effect on revenues of the increase in our subscriber base was partially offset by a decrease in the average selling prices of handsets and accessories, a decrease in tariffs in the Moscow license area and an increase of mass-market subscribers share in our subscriber mix.

MTS OJSC cost of services and cost of handsets and accessories for the year ended December 31, 2004 increased by 85.7% to \$585.1 million from \$315.0 million for the year ended December 31, 2003. The growth occurred as a result of \$45.6 million and \$172.7 million increases in roaming expenses and cost of handsets and accessories, respectively. This was primarily driven by an increase in the number of subscribers and related growth in roaming traffic and cost of handsets and accessories sold (including SIM cards). Roaming expenses increased to \$172.3 million, or 8.1% of segment revenues, for the year ended December 31, 2004 from \$126.7 million, or 8.6% of segment revenues, for the year ended December 31, 2003. Cost of handsets and accessories increased to \$274.9 million, or 12.9% of segment revenues, for the year ended December 31, 2004 from \$102.2 million, or 6.9% of segment revenues, for the year ended December 31, 2003.

MTS OJSC gross margin increased by 33.6% to \$1,544.4 million in the year ended December 31, 2004 from \$1,156.2 million in the year ended December 31, 2003. MTS OJSC's gross margin percentage decreased to 72.5% in the year ended December 31, 2004 from 78.6% in the year ended December 31, 2003. The main reason for the decrease in the gross margin by 6.1% was the significant growth in sales of equipment and handsets from MTS OJSC to subsidiaries. MTS OJSC charges minimal mark-up, ranging from 3% to 10%, on these sales. The effect of these transactions is eliminated in the consolidated financial statements.

UMC revenues for the year ended December 31, 2004 were \$832.3 million, while for the year ended December 31, 2003, \$394.0 million of UMC's revenues were consolidated (representing revenues from the date of our acquisition of UMC in March 2003 to December 31, 2003). Growth in sales revenues occurred mainly due to an increase in UMC's subscriber base from 3.4 million as of December 31, 2003 to 7.4 million as of December 31, 2004.

UMC cost of services and cost of handsets and accessories for the year ended December 31, 2004 and for the period from March 1, 2003 to December 31, 2003 were \$221.2 million and \$95.0 million, respectively. The growth occurred primarily due to an increase of \$84.0 million in interconnection and line rental expenses and a \$33.9 million increase in cost of handsets and accessories. Interconnection and line rental

expenses increased to \$112.8 million, or 13.6% of segment revenues, in the year ended December 31, 2004 from \$28.8 million, or 7.3% of segment revenues, in the year ended December 31, 2003 mainly due to an increase in the number of base stations in use and overall growth in traffic on the network. Cost of handsets and accessories increased to \$87.6 million, or 10.5% of segment revenues, in the year ended December 31, 2004 from \$53.8 million, or 13.7% of segment revenues, in the year ended December 31, 2003 mainly due to growth in sales of handsets and accessories and an increase in cost for SIM cards used by new subscribers.

UMC gross margin for the year ended December 31, 2004 grew to \$611.1 million from \$299.0 million for the period from March 1, 2003 to December 31, 2003. As a percentage of total revenues, gross margin decreased to 73.4% in the year ended December 31, 2004, from 75.9% in the same period in 2003. This decrease in gross margin was mainly due to the introduction in September 2003 of the CPP scheme. Under this scheme, starting from September 2003, UMC pays termination fees to other mobile operators for calls initiated by its subscribers. During the year ended December 31, 2004, this scheme had a full effect on financial results, while during the same period in 2003, only the months of September through December were included.

Telecom XXI revenues for the year ended December 31, 2004 increased by 41.2% to \$297.2 million from \$210.5 million for the year ended December 31, 2003. Our subscriber base in the Telecom XXI license areas increased by 58.8% from 1.7 million as of December 31, 2003 to 2.7 million as of December 31, 2004. The growth in subscribers in percentage terms is higher than the growth in revenues mainly because the newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network. This trend is typical when we seek to expand our subscriber base in a competitive environment.

Telecom XXI cost of services and cost of handsets and accessories for the year ended December 31, 2004 increased by 40.8% to \$46.9 million from \$33.3 million for the year ended December 31, 2003. This was primarily due to a \$6.4 million increase in roaming expenses. Interconnection and line rental expenses increased to \$15.2 million, or 5.1% of segment revenues, in the year ended December 31, 2004 from \$14.0 million, or 6.7% of segment revenues, in the year ended December 31, 2003 mainly due to an increase of the number of base stations in use and overall growth in traffic on the network. Roaming expenses increased to \$18.9 million, or 6.4% of segment revenues, for the year ended December 31, 2004 from \$12.5 million, or 5.9% of segment revenues, for the year ended December 31, 2003 mainly due to subscriber growth and related traffic expenses.

Telecom XXI gross margin increased by 41.3% to \$250.3 million in the year ended December 31, 2004 from \$177.2 million in the year ended December 31, 2003. Telecom XXI gross margin percentage remained stable at 84.2% during the year ended December 31, 2004, as compared to the 84.2% during year ended December 31, 2003.

Kuban-GSM revenues for the year ended December 31, 2004 increased by 33.8% to \$225.4 million from \$168.4 million for the year ended December 31, 2003. Our subscriber base in the Kuban-GSM license area increased by 78.6% from 1.4 million as of December 31, 2003 to 2.5 million as of December 31, 2004. The growth in subscribers in percentage terms is higher than the growth in revenues mainly because the newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network. This trend is typical when expanding s subscriber base in a competitive environment.

Kuban-GSM cost of services and cost of handsets and accessories for the year ended December 31, 2004 increased by 10.0% to \$23.0 million from \$20.9 million for the year ended December 31, 2003. This was primarily due to a \$4.4 million increase in interconnection and line rental expenses to \$14.2 million, or 6.3% of segment revenues, in the year ended December 31, 2004 from \$9.8 million, or 5.8% of segment revenues, in the year ended December 31, 2003. This increase is mainly due to an increase in the number of base stations in use and overall growth in traffic on the network.

Kuban-GSM gross margin increased by 37.2% to \$202.4 million in the year ended December 31, 2004 from \$147.5 million in the year ended December 31, 2003. Kuban-GSM's gross margin percentage increased to 89.8% in the year ended December 31, 2004 from 87.6% in the year ended December 31, 2003 primarily as the result of continued expansion of the network in 2004 and the related economies of scale effect.

Other regions revenues for the year ended December 31, 2004 increased by 84.0% to \$796.3 million from \$432.8 million for the year ended December 31, 2003. Our subscriber base in these regions increased by 107.9% from 3.8 million as of December 31, 2003 to 7.9 million as of December 31, 2004, which is the result of our expansion into the regions both through organic growth and acquisitions. As of December 31, 2004, we had commenced commercial operations in 77 regions of Russia, compared to 60 as of December 31, 2003. The growth in subscribers in percentage terms is higher than revenue growth mainly due to the fact that newly acquired subscribers have lower average monthly service revenue per subscriber compared to subscribers already connected to our network. This is a usual trend for expanding subscribers' base in the competitive environment.

Other regions cost of services and cost of handsets and accessories for the year ended December 31, 2004 increased by 56.9% to \$189.7 million from \$120.9 million for the year ended December 31, 2003. The growth occurred primarily due to a \$37.1 million increase in interconnection and line rental expenses and a \$27.6 million increase in cost of handsets and accessories. Interconnection and line rental expenses increased to \$76.6 million, or 9.6% of segment revenues, in the year ended December 31, 2004 from \$39.5 million, or 9.1% of segment revenues, in the year ended December 31, 2003 mainly due to an increase in the number of base stations in use and overall growth in traffic on the network. Cost of handsets and accessories increased to \$63.6 million, or 8.0% of segment revenues, in the year ended December 31, 2004 from \$36.0 million, or 8.3% of segment revenues, in the year ended December 31, 2003 mainly due to a growth in sales of handsets and accessories and an increase in cost for SIM cards used by new subscribers.

Other regions gross margin increased by \$294.7 million, or 94.5%, from \$311.9 million in the year ended December 31, 2003 to \$606.6 million in the year ended December 31, 2004, primarily due to the increase in the number of subscribers. Our gross margin percentage for the other regions segment increased to 76.2% in the year ended December 31, 2004 from 72.1% in the year ended December 31, 2003, which can be explained by the same factors discussed above with respect to the increase in the consolidated gross margin.

Sundry operating expenses

Consolidated sundry operating expenses for the year ended December 31, 2004 increased by 55.3% to \$631.5 million from \$406.7 million for the year ended December 31, 2003. The increase in sundry operating expenses was largely attributable to a general increase in expenses caused by subscriber growth and the consolidation of a full year of UMC's operations, which together contributed \$88.9 million to consolidated sundry operating expenses for the year ended December 31, 2004 after intercompany elimination. For the year ended December 31, 2003, only 10 months of UMC's operations were consolidated, contributing \$50.2 million to sundry operating expenses in that period. In the year ended December 31, 2004, salary expenses and related social contributions increased by \$100.2 million due to an increase in personnel. In addition, network repair and maintenance expenses increased by \$42.1 million in the year ended December 31, 2004 due to the expansion and aging of our network, as compared to the same period in 2003. Generally, sundry operating expenses as a percentage of net revenues slightly increased to 16.2% for the year ended December 31, 2004 from 16.0% in the year ended December 31, 2003.

MTS OJSC sundry operating expenses for the year ended December 31, 2004 increased by 35.7% to \$327.1 million from \$241.1 million for the year ended December 31, 2003. The major reason for this growth was an increase in salaries, bonuses and related social contributions for additional personnel of

\$56.5 million. Sundry operating expenses as a percentage of segment revenues decreased to 15.4% for the year ended December 31, 2004 from 16.4% for the year ended December 31, 2003. This decrease was mainly attributable to economies of scale with respect to an increase in our overall volume of operations and a reduction in the bad debt provision expense from \$28.6 million for 2003, or 1.9% of segment revenues, to \$12.4 million for 2004, or 0.6% of segment revenues. The higher expense in 2003 was related to the dealer and subscriber fraud discovered in March 2003, as discussed above.

UMC sundry operating expenses for the year ended December 31, 2004 were \$88.9 million, or 10.7% of segment revenues, while for the year ended December 31, 2003, these expenses were \$50.2 million, or 12.7% of segment revenues. The increase in such expenses in absolute terms during 2004 was the result of an overall increase in UMC's activity. The main reason for the decrease in sundry operating expenses as a percentage of segment revenues was the economies of scale we achieved related mainly to rent and maintenance expenses.

Telecom XXI sundry operating expenses for the year ended December 31, 2004 increased by 63.0% to \$45.8 million from \$28.1 million for the year ended December 31, 2003. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$4.9 million, repair and maintenance of \$3.3 million and billing and processing expenses of \$3.5 million. The increases were primarily the result of the general expansion of our network in the region. Sundry operating expenses as a percentage of segment revenues increased to 15.4% for the year ended December 31, 2004, as compared to 13.3% for the year ended December 31, 2003. The main reason for this increase was one-off repair expenses incurred during the year ended December 31, 2004.

Kuban-GSM sundry operating expenses for the year ended December 31, 2004 increased by 46.1% to \$37.1 million from \$25.4 million for the year ended December 31, 2003. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$3.6 million and repair and maintenance of \$8.2 million. The increases were primarily the result of the general expansion of our network in the region. Sundry operating expenses as a percentage of segment revenues slightly increased to 16.5% for the year ended December 31, 2004, as compared to 15.1% for the year ended December 31, 2003.

Other regions sundry operating expenses for the year ended December 31, 2004 increased by 127.0% to \$142.3 million from \$62.7 million for the year ended December 31, 2003. The most significant increases were in the areas of salaries and related social contributions for additional personnel of \$27.3 million and administrative expenses of \$11.4 million for additional offices and expanded operations. Sundry operating expenses as a percentage of segment revenues increased to 17.9% for the year ended December 31, 2004, as compared to 14.5% for the year ended December 31, 2003 mainly due to start-up expenses in connection with our continuing expansion into the regions.

Sales and marketing expenses

Consolidated sales and marketing expenses for the year ended December 31, 2004 increased by 41.1% to \$461.0 million from \$326.8 million for the year ended December 31, 2003. The increase in sales and marketing expenses was largely related to our strategy to develop our subscriber base through organic growth. The components of growth in sales and marketing expenses were an increase of \$77.2 million in commissions to dealers and an increase of \$57.0 million in advertising and promotion expenses. The increase in commissions to dealers was primarily due to an increase in the volume of sales through dealers. The increase in advertising and promotion expenses related to increased overall marketing efforts and relatively higher costs of television commercials. Sales and marketing expenses as a percentage of net revenues decreased to 11.9% for the year ended December 31, 2004 from 12.8% for the year ended December 31, 2003. The main reason for this decrease was the introduction in Russia of the new dealer commission scheme in 2004 described above, which resulted in a decrease in dealers' commissions as a percentage of revenues from 8.8% to 7.8%.

MTS OJSC sales and marketing expenses for the year ended December 31, 2004 increased by 28.2% to \$240.1 million from \$187.3 million for the year ended December 31, 2003. Sales and marketing expenses as a percentage of segment revenues decreased to 11.3% for the year ended December 31, 2004 from 12.7% for the year ended December 31, 2003. MTS OJSC has traditionally incurred consolidated costs of national TV advertising campaigns, which have experienced significant inflation in the last few years. MTS does not allocate a portion of these advertising costs to Telecom XXI, Kuban-GSM and other regions segments even though sales in these regions benefit from this national advertising. The main reason for the decrease in sales and marketing expenses as a percentage of segment revenues was the introduction of the new dealer commission scheme in 2004, which resulted in a decrease in dealers' commissions as a percentage of revenues from 8.5% to 6.9%.

UMC sales and marketing expenses for the year ended December 31, 2004 were \$79.4 million, or 9.5% of segment revenues, while for the year ended December 31, 2003, these expenses were \$50.8 million, or 12.9% of segment revenues. Absolute growth in these expenses for the year ended December 31, 2004 occurred due to overall growth in UMC's activity. The decrease in sales and marketing expenses as a percentage of segment revenues was caused by two factors: a decrease in advertising and promotion expenses from 4.6% to 3.6% of segment revenues due to extensive advertising campaigns organized in the third quarter of 2003 related to the Jeans tariff launch and a decrease in dealers' commissions from 8.3% to 5.9% of segment revenues due to a change in the commission scheme in December 2003 (commission is calculated based on revenue received from subscribers contracted by the dealer).

Telecom XXI sales and marketing expenses for the year ended December 31, 2004 increased by 33.5% to \$42.2 million from \$31.6 million for the year ended December 31, 2003, as a result of the expansion of the operations into regions other than St. Petersburg and an increase in dealers' commissions due to general growth in sales volume through dealers. Sales and marketing expenses as a percentage of segment revenues decreased to 14.2% for the year ended December 31, 2004 from 15.0% for the year ended December 31, 2003. The main reason for this decrease was a decrease of dealers' commissions as a percentage of segment revenues from 11.5% to 11.0% for the year ended December 31, 2003 and 2004, respectively, which was primarily due to the introduction in the third quarter of 2003 of our Jeans tariff in the region, which became popular and has lower commission fees than our contract tariff plans.

Kuban-GSM sales and marketing expenses for the year ended December 31, 2004 increased by 48.0% to \$22.5 million from \$15.2 million for the year ended December 31, 2003, as a result of an increase in dealers' commissions due to a general increase in sales volume through dealers. Sales and marketing expenses as a percentage of segment revenues increased to 10.0% for the year ended December 31, 2004 from 9.0% for the year ended December 31, 2003. The main reason for this growth was an increase of dealers' commissions as a percentage of segment revenues to 8.7% for the year ended December 31, 2004 from 8.0% for the year ended December 31, 2003.

Other regions sales and marketing expenses for the year ended December 31, 2004 increased by 98.8% to \$86.3 million from \$43.4 million for the year ended December 31, 2003, as a result of our expansion of the regional operations. Sales and marketing expenses as a percentage of segment revenues increased to 10.8% for the year ended December 31, 2004 from 10.0% for the year ended December 31, 2003. The main reasons for this increase were the growth in advertising expenses (in order to promote our services in the regions and continue our regional expansion) and dealers' commissions caused by increases in our subscriber base.

Depreciation and amortization expenses

Consolidated depreciation and amortization of property, network equipment, telephone numbering capacity, license costs and other intangible assets for the year ended December 31, 2004 increased by 62.5% to \$675.7 million from \$415.9 million for the year ended December 31, 2003. Depreciation and amortization expenses as a percentage of net revenues slightly increased to 17.4% for the year ended December 31, 2004 from 16.3% for the year ended December 31, 2003. This increase was mainly due to a

change of accounting policy with respect to the depreciation period for the cost of leasehold improvements related to base station sites that went into effect in 2004. The depreciation period was accelerated and as a result, an additional depreciation expense of approximately \$27.7 million was recognized in 2004, but not in prior periods.

MTS OJSC depreciation and amortization for the year ended December 31, 2004 increased by 26.8% to \$253.5 million from \$199.9 million for the year ended December 31, 2003, but declined as a percentage of segment revenues to 11.9% for the year ended December 31, 2004 from 13.6% for the year ended December 31, 2003 mainly due to expansion of our subscriber base in our existing network, which was partially offset by the effect of accelerated depreciation.

UMC depreciation and amortization for the year ended December 31, 2004 was \$124.9 million, or 15.0% of segment revenues, while for the year ended December 31, 2003 depreciation and amortization was \$66.4 million, or 16.9% of segment revenues. Absolute growth in depreciation and amortization expense was mainly due to the continued buildout of UMC's network in Ukraine. The decrease in depreciation and amortization expense as a percentage of segment revenues was mainly due to the effect of economies of scale, which was partly offset by the effect of accelerated depreciation.

Telecom XXI depreciation and amortization for the year ended December 31, 2004 increased by 55.7% to \$57.3 million from \$36.8 million for the year ended December 31, 2003 and slightly increased as a percentage of segment revenues to 19.3% from 17.5%. This increase was mainly the result of the acceleration of the depreciation period for leasehold improvements on the base station sites.

Kuban-GSM depreciation and amortization for the year ended December 31, 2004 increased by 110.8% to \$68.1 million from \$32.3 million for the year ended December 31, 2003 and increased as a percentage of segment revenues to 30.2% from 19.2% mainly due to significant investments in our network and an additional depreciation expense recognized in 2004 for leasehold improvements.

Other regions depreciation and amortization for the year ended December 31, 2004 increased by 113.1% to \$175.2 million from \$82.2 million for the year ended December 31, 2003 and increased as a percentage of segment revenues to 22.0% from 19.0%. The increase in the depreciation and amortization expense was driven primarily by two factors: the continued buildout of our network in the regions and assets acquired through acquisitions.

Operating Income

Consolidated operating income for the year ended December 31, 2004 increased by 53.8% to \$1,419.1 million, including \$317.9 million of UMC's results after intercompany elimination for the year ending December 31, 2004 from \$922.6 million for the year ended December 31, 2003, of which \$131.7 million was contributed by UMC. Operating income as a percentage of net revenues was relatively stable at 36.5% for the year ended December 31, 2004 and 36.2% for the year ended December 31, 2003.

MTS OJSC operating income for the year ended December 31, 2004 increased by 37.9% to \$728.1 million from \$527.8 million for the year ended December 31, 2003 and remained relatively stable as a percentage of segment revenues at 34.2% for the year ended December 31, 2004, as compared to 35.9% for the year ended December 31, 2003.

UMC operating income for the year ended December 31, 2004 was \$317.9 million, or 38.2% of segment revenues, while for the year ended December 31, 2003 operating income was \$131.7 million, or 33.4% of segment revenues. Absolute growth in operating income primarily was the result of the overall growth in UMC's subscriber base and the continued buildout of its network. In addition, for the year ended December 31, 2003, only 10 months of UMC's operations were consolidated into our results, as we did not acquire a controlling stake in UMC until March 2003. Growth in operating income as a percentage of segment revenues occurred mainly due to a decrease in expenses realized through economies of scale and the growth in UMC's subscriber base.

Telecom XXI operating income for the year ended December 31, 2004 increased by 30.1% to \$104.9 million, or 35.3% of segment revenues, from \$80.6 million, or 38.3% of segment revenues, for the year ended December 31, 2003. The main reason for the decrease in operating income as a percentage of segment revenues was the additional depreciation expense incurred as a result of accelerated depreciation for leasehold improvements.

Kuban-GSM operating income for the year ended December 31, 2004 remained stable at \$74.6 million, or 33.1% of segment revenues, and \$74.6 million, or 44.3% of segment revenues, for the year ended December 31, 2003. The main reason for the decrease of operating income as a percentage of segment revenues was the additional depreciation expense incurred as a result of accelerated depreciation for leasehold improvements.

Other regions operating income for the year ended December 31, 2004 increased by 60.5% to \$198.4 million, or 24.9% of segment revenues, from \$123.6 million, or 28.6% of segment revenues, for the year ended December 31, 2003. The main reason for the decrease in operating income as a percentage of segment revenues was the additional depreciation expense incurred as a result of accelerated depreciation for leasehold improvements.

Currency exchange and transaction gain

Consolidated currency exchange and transaction gain for the year ended December 31, 2004 was \$6.5 million, compared to \$0.7 million for the year ended December 31, 2003. We conduct our operations primarily within the Russian Federation and Ukraine. We are subject to currency fluctuations, including U.S. dollar versus ruble/hryvnia and U.S. dollar versus euro. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Financial Condition—Continued or increased limitations on the conversion of rubles to foreign currency in Russia could increase our costs when making payments in foreign currency to suppliers and creditors and could cause us to default on our obligations to them.” and “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk.”

Interest expense

Consolidated interest expense for the year ended December 31, 2004 increased by 1.3% to \$108.0 million from \$106.6 million for the year ended December 31, 2003, primarily as the result of additional interest expense incurred in conjunction with our \$300.0 million notes issued in August 2003 and \$400.0 million notes issued in October 2003.

Other income

Consolidated other expenses (income) for the year ended December 31, 2004 increased to a gain of \$33.5 million from a loss of \$3.4 million incurred for the year ended December 31, 2003. The main reason for this change relates to the significant growth in profitability of MTS Belarus. During the year ended December 31, 2003, \$1.5 million of MTS Belarus’ loss was included in our results, while for the year ended December 31, 2004, \$23.2 million of income was included in our results.

Provision for income taxes

Consolidated provision for income taxes for the year ended December 31, 2004 increased by 46.3% to \$354.7 million from \$242.5 million for the year ended December 31, 2003. The effective tax rate decreased to 25.8% in the year ended December 31, 2004 from 29.2% in the year ended December 31 2003 mainly as a result of an increase in deductible foreign currency exchange losses for purposes of our statutory accounts and a decrease in the statutory tax rate in Ukraine from 30% in 2003 to 25% in 2004.

Minority interest

Minority interest for the year ended December 31, 2004 decreased by \$41.4 million to \$30.3 million from \$71.7 million for the year ended December 31, 2003 as a result of purchases of additional stakes from minority shareholders in regional companies, the major ones being FECS-900, Uraltel, TAIF Telecom and SCS-900.

Net income

Net income for the year ended December 31, 2004 increased by \$470.7 million, or 91.0%, to \$987.9 million, compared to \$517.2 million for the year ended December 31, 2003, due to overall growth in our operations and the factors discussed above. Net income as a percentage of revenues was 25.4% in the year ended December 31, 2004 and 20.3% in the year ended December 31, 2003. The main reasons for the increase in net income as a percentage of revenues were the relative decrease as a percentage of revenues in sales and marketing expenses and costs of services, handsets and accessories and an increase in the profitability of MTS Belarus.

Liquidity and Capital Resources

In July 2000, we completed our initial public offering of American Depositary Shares on the New York Stock Exchange. The proceeds from the offering, net of underwriting discount, were \$349 million. Since that time, we have accessed the international capital markets through the sale of unsecured notes six times in an aggregate principal amount of \$1.8 billion. In July 2004, a syndicate of international banks made available to us an unsecured loan facility in an aggregate amount of \$500.0 million, which is payable in three years. In September 2004, this syndicated loan facility was increased to \$600.0 million, of which \$460.0 million remained outstanding as of December 31, 2005 but was paid off in 2006. During 2005, we entered into a number of loan agreements for a total amount of \$430.5 million in order to finance purchases of telecommunications equipment from Motorola, Ericsson, Alcatel and Siemens. In addition, in November 2005, we entered into a \$150.0 million credit facility with ING Bank B.V., and, in December 2005, UMC entered into a loan facility agreement in the amount of \$200.0 million. As of December 31, 2005, we had indebtedness of approximately \$2,850.6 million, of which \$5.7 million was capital lease obligations. See Note 11 to our audited consolidated financial statements for a description of our indebtedness. On April 21, 2006, we entered into a syndicated loan facility with several international financial institutions, including: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bayerische Landesbank, HSBC Bank plc, ING Bank N.V., Raiffeisen Bank Oesterreich AG, Sumitomo Mitsui Banking Corporation Europe Limited. The facility allows us to borrow up to \$1,330.0 million and is available in two tranches of \$630.0 million and \$700.0 million. We expect to use the proceeds for general corporate purposes, including acquisitions and refinancing of existing indebtedness.

Capital Requirements

We need capital to finance the following:

- capital expenditures, consisting of purchases of property, plant and equipment and intangible assets;
- acquisitions;
- repayment of debt;
- changes in working capital; and
- general corporate activities, including dividends.

We anticipate that capital expenditures, acquisitions, repayment of long-term debt and dividends will represent the most significant uses of funds for several years to come.

Our cash outlays for capital expenditures in 2003, 2004 and 2005 were \$958.8 million, \$1,358.9 million and \$2,181.3 million, respectively. We expect to continue to finance most of our capital expenditure needs through our operating cash flows, and to the extent required, to incur additional indebtedness through borrowings or additional capital raising activities. Historically, a significant portion of our capital expenditures have been related to the installation and buildout of our GSM network and expansion into new license areas. We expect that capital expenditures will remain a large portion of our cash outflows in connection with the continued installation and buildout of our network. We expect our capital expenditures in 2006 to be approximately \$1,800 million. These investments are required to support the growth in our subscriber base (*i.e.*, to improve network capacity) and to develop our network in the new regions for which we received licenses. Our actual capital expenditures may vary significantly from our estimates.

In addition to capital expenditures, we spent \$667.2 million, \$355.7 million and \$178.9 million in 2003, 2004 and 2005, respectively, to acquire businesses. We may continue to expand our business through acquisitions. Our cash requirement relating to potential acquisitions can vary significantly based on market opportunities.

We expect to refinance our existing debt when it becomes due. Our outstanding notes are due between the years of 2008 and 2012, and our current debt comprises a \$280.0 million syndicated loan, a \$200.0 million loan facility owed by UMC and a \$150.0 million bank loan entered into with ING Bank B.V. The syndicated loan facility agreement signed in April 2006 allows us to borrow up to \$1,330.0 million and is available in two tranches. Under the first tranche, we have drawn a total amount of \$630.0 million in May and June 2006. We expect to use the proceeds for general corporate purposes and refinancing our existing indebtedness.

Sistema, which controls 52.8% of our outstanding shares and consolidates our results in its financial statements, has a significant amount of outstanding debt and requires funds for debt service. These funds may come, in part, from dividends paid by its subsidiaries, including us. On June 30, 2003, our shareholders approved cash dividends totaling \$111.4 million (including dividends on treasury shares of \$0.4 million), which have been fully paid. On June 26, 2004, our shareholders approved cash dividends in the amount of \$219.9 million (including dividends on treasury shares of \$1.1 million), which have also been fully paid. On June 21, 2005, our shareholders approved cash dividends in the amount \$402.6 million (including dividends on treasury shares of \$1.5 million), which have also been fully paid. In June 2006, our shareholders approved annual cash dividends in the amount of \$561.6 million (including dividends on treasury shares of \$1.5 million) for the year 2005, payable in 2006. We generally intend to finance our dividend requirements through operating cash flows, and accordingly, our payment of dividends may make us more reliant on external sources of capital to finance our capital expenditures and acquisitions.

We expect that we will continue to incur certain expenditures and devote significant management resources in relation to our system of internal controls to ensure our compliance with Section 404 of the Sarbanes-Oxley Act of 2002. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we will have to divert significant moneys and resources, including senior management time, from our operating businesses, which could materially adversely affect our business, results of operations and prospects.”

In addition, we are in the process of implementing an enterprise resource planning system that will require additional expenditures and devotion of significant management resources.

Capital Resources

We plan to finance our capital requirements through a mix of operating cash flows and financing activities, as described above. Our major sources of cash have been cash provided by operations and the proceeds of our U.S. dollar-denominated notes issuances and loans. We expect that these sources will continue to be our principal sources of cash in the future.

The availability of financing is influenced by many factors, including our profitability, operating cash flows, debt levels, credit ratings, contractual restrictions and market conditions. We cannot assure you that we will be able to continue to obtain large amounts of financing in the future, through note offerings or otherwise.

At December 31, 2005, our indebtedness was comprised of the following:

Indebtedness	Currency	Annual interest rate (Actual rate at December 31, 2005)	Amount (in thousands)
9.75% notes due 2008	USD	9.75%	\$400,000
8.38% notes due 2010	USD	8.38%	400,000
8.00% notes due 2012	USD	8.00%	399,052
Syndicated loan	USD	LIBOR+2.50% (7.20%)	460,000
Citibank N.A., ING Bank N.V. and Raiffeisen AG	USD	LIBOR+0.75%-2.25% (5.29%-6.79%)	200,000
HSBC Bank plc and ING BHF-Bank AG	USD	LIBOR+0.43% (5.13%)	171,816
ING Bank N.V.	USD	LIBOR+0.75% (5.14%)	150,000
Citibank International plc and ING Bank N.V.	USD	LIBOR+0.30% (5.00%)	111,009
EBRD	USD	LIBOR+3.10% (7.80%)	138,462
Commerzbank AG, ING Bank AG and HSBC Bank plc	USD	LIBOR+0.30% (5.00%)	92,826
ABN AMRO N.V.	USD/EUR	LIBOR+0.35% (5.05%) EURIBOR+0.35% (2.99%)	83,179
Barclays Bank plc	USD	LIBOR+0.13%-0.15% (4.83%-4.85%)	80,086
HSBC Bank plc, ING Bank AG and Bayerische Landesbank	USD	LIBOR+0.30% (5.00%)	63,338
ING BHF Bank and Commerzbank AG	EUR	EURIBOR+0.65% (3.29%)	43,168
ING Bank (Eurasia)	USD	LIBOR+2.25%-4.15% (6.79%-8.69%)	20,000
Commerzbank Belgium S.A./N.V.	USD	LIBOR+0.40% (5.10%)	13,314
HSBC	USD	LIBOR+2.75% (7.23%)	7,500
West LB	EUR	EURIBOR+2.00% (4.64%)	4,000
Nordea Bank Sweden	USD	LIBOR+0.40% (5.10%)	3,249
Ericsson	USD	LIBOR+4.00% (8.54%)	3,150
Other ruble-denominated debt	RUR	—	687
Total debt			\$1,645,784
Less current portion			\$765,881
Total long-term debt			\$879,903

The following table presents aggregate scheduled maturities of debt principal outstanding as of December 31, 2005:

	<u>Amount</u> <u>(in thousands)</u>
Payments due in the year ended December 31,	
2006	\$765,881
2007	290,815
2008	510,693
2009	104,526
2010	498,359
Thereafter	<u>674,562</u>
	<u>\$2,844,836</u>

In addition, we had capital lease obligations in the amount of \$5.7 million and \$12.5 million as of December 31, 2005 and December 31, 2004, respectively. The terms of our material debt obligations and capital lease obligations are described in Notes 11 and 12, respectively, to our audited consolidated financial statements.

Our ability to incur further indebtedness is limited by the covenants in our outstanding notes, including a debt/cash flow incurrence test and restrictions on our ability to grant liens on our properties and to enter into sale and lease-back transactions. Our syndicated loan facility contains similar and other covenants, including debt/EBITDA and EBITDA/interest expense maintenance covenants. In addition, Sistema, which controls 52.8% of our outstanding shares and consolidates our results in its financial statements, is subject to various covenants in the indentures relating to its notes in the aggregate principal amount of \$700 million, which impose restrictions on Sistema and its restricted subsidiaries, including us, with respect to, among others, incurrence of indebtedness and liens. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Financial Condition—Indentures relating to our notes and our controlling shareholder Sistema’s notes contain, and some of our loan agreements contain, restrictive covenants, which limit our ability to incur debt and to engage in various activities.”

A summary of our cash flows and cash outlays for capital expenditures and acquisitions of subsidiaries follows:

	<u>Year Ended December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
	<u>(in thousands)</u>		
Cash flows:			
Net cash provided by operating activities	\$965,984	\$1,711,589	\$1,797,380
Net cash used in investing activities	(1,910,087)	(1,543,201)	(2,452,117)
Net cash provided by financing activities	997,545	10,773	461,528
Net increase/(decrease) in cash	<u>\$55,715</u>	<u>\$183,774</u>	<u>\$(195,866)</u>
Cash outlays for:			
Capital expenditures ⁽¹⁾	\$(958,771)	\$(1,358,944)	\$(2,181,347)
Acquisition of subsidiaries, net of cash acquired	\$(667,206)	\$(355,744)	\$(178,917)

⁽¹⁾ Includes acquisitions of property, plant and equipment and intangible assets.

For the year ended December 31, 2005, net cash provided by operating activities was \$1,797.4 million, an increase of 5.0% from the year ended December 31, 2004. This increase was primarily attributable to a growth in net revenues due to an increase in our subscriber base.

Net cash used in investing activities in the year ended December 31, 2005, was \$2,452.1 million, an increase of 58.9% from the year ended December 31, 2004. This increase is mainly the result of two factors: an increase in cash spent on the acquisition of property, plant and equipment and intangible assets from \$1,358.9 million for the year ended December 31, 2004 to \$2,181.3 million for the year ended December 31, 2005, and decreased net cash inflow from disposals of short-term investments in the amount of \$171.9 million during the year ended December 31, 2005.

Net cash provided by financing activities in the year ended December 31, 2005, was \$461.5 million. We paid dividends in the total amount of \$407.2 million during the year ended December 31, 2005, which also included dividends paid to minority shareholders of certain of our subsidiaries. These outflows were offset by net proceeds from notes issuance in the amount of \$398.9 million and \$462.0 million in net cash inflow from new bank loans, which were partly offset by debt issuance costs and the repayment of existing debt.

For the year ended December 31, 2004, net cash provided by operating activities was \$1,711.6 million, an increase of 77.2% from the year ended December 31, 2003. This increase was primarily attributable to a growth in net revenues from subscribers, which was caused by an increase in our subscriber base.

Net cash used in investing activities in the year ended December 31, 2004, was \$1,543.2 million, a decrease of 19.2% from the year ended December 31, 2003. This decrease is the result of several factors, including a decrease in cash spent for the business acquisitions from \$667.2 million in the year ended December 31, 2003, to \$355.7 million in the year ended December 31, 2004, and net cash inflow resulting from disposals of short-term investments, *i.e.*, matured bank deposits of \$171.9 million during the year ended December 31, 2004. These factors were partially offset by an increase in cash spent on acquisition of property, plant and equipment and intangible assets from \$958.8 million for the year ended December 31, 2003 to \$1,358.9 million for 2004.

Net cash provided by financing activities in the year ended December 31, 2004, was \$10.8 million. In May 2004, we retired \$300.0 million in principal amount of our Floating Rate Notes due 2004 from the proceeds of a \$200.0 million short-term bridge loan and our operating cash flows. We paid dividends in the total amount of \$232.7 million during the year ended December 31, 2004, which also included dividends paid to minority shareholders of certain of our subsidiaries. These outflows were offset by net proceeds from the new loans, reduced by repayments of \$857.1 million.

In 2003, net cash provided by operating activities was \$966.0 million, an increase of 134.0% from the year ended December 31, 2002. The increase was primarily attributable to an increase in net revenues from subscribers, which was a result of an increase in our subscriber base.

Net cash used in investing activities in 2003 was \$1,910.1 million, of which \$958.8 million related to the purchase of property, plant and equipment and intangible assets; \$330.6 million were used to acquire the 100.0% stake in UMC; \$107.0 million were used to acquire the 47.3% stake in Kuban-GSM in order to obtain 100.0% control over it; \$62.9 million were used to acquire 52.7% of the common shares and 50% of the preferred shares of TAIF Telcom; \$47.0 million were used to acquire the 100.0% stake in Sibchallenge; and \$188.7 million were used for other acquisitions of stakes in regional operators and advances to our affiliates, primarily to MTS Belarus. See "Item 4. Information on Our Company—B. Business Overview," "Item 5. Operating and Financial Review and Prospects—Acquisitions" and "Item 4. Information on Our Company—A. History and Development—Expansion." We financed our acquisitions of UMC, Kuban-GSM, TAIF Telcom and other regional operators primarily from the proceeds of \$400 million of 9.75% notes due 2008 (issued in January 2003), \$300 million of Floating Rate Notes due 2004 (issued in August 2003) and \$400 million of 8.375% notes due 2010 (issued in October 2003).

Net cash provided by financing activities in 2003 was \$997.5 million. Net proceeds from the notes offerings during 2003 were \$1,087.4 million, which were used, in addition to the acquisitions listed above, for the purchase of network equipment and intangible assets and advances to affiliates. We paid dividends in the total amount of \$110.9 million during 2003, which also included dividends paid to minority shareholders of certain of our subsidiaries.

Liquidity

As of December 31, 2005 and 2004, we had total cash and cash equivalents of \$78.3 million (\$52.9 million in rubles, \$5.4 million in U.S. dollars, \$4.5 million in Ukrainian hryvnias and \$15.5 million in other currencies) and \$274.2 million (\$93.1 million in rubles, \$152.5 million in U.S. dollars, \$10.2 million in Ukrainian hryvnias and \$18.4 million in other currencies), respectively. In addition, as of December 31, 2005, we had short-term investments of \$28.1 million mostly in U.S. dollar-denominated instruments at the Moscow Bank of Reconstruction and Development (MBRD), a related party. As of December 31, 2005, we had unused availability under our credit facilities to draw another \$153.6 million.

For details of external financing see Note 11 to our audited consolidated financial statements. For subsequent events related to our external financing, see Note 24 to our audited consolidated financial statements.

As of December 31, 2005, we had a working capital deficit of \$631.6 million compared to a deficit of \$189.0 million as of December 31, 2004. The increase in working capital deficit was primarily attributable to a \$692.9 increase in current liabilities, including a \$395.0 million increase in the current portion of our debt. An increase in current trade payables and accruals in the amount of \$216.8 million was offset by increased prepaid expenses and inventories as of December 31, 2005.

As of December 31, 2004, we had a working capital deficit of \$189.0 million compared to a deficit of \$457.5 million as of December 31, 2003. The decrease in working capital deficit was primarily attributable to the growth in the balance of total current assets as of December 31, 2004, compared to December 31, 2003 by \$200.5 million. This growth was primarily attributable to an increase in the trade receivables balance by \$62.5 million and an increase in the VAT receivables balance by \$62.9 million. Repayment of our \$300 million floating rate notes in May 2004 and repayment of the \$300 million 10.95% notes in December 2004, included in current liabilities as of December 31, 2003, was offset by a \$117.1 million increase in subscriber prepayments and a \$267.5 million increase in the current portion of our debt. As a result, the change in the current liabilities balance as of December 31, 2004 compared to the balance as of December 31, 2003 was not significant.

We expect to repay all long-term debts as they become due from our operating cash flows or through re-financings. We believe that our working capital together with our plans for external financing will provide us with sufficient funds for our present and future requirements.

Because most of our operating subsidiaries are incorporated in Russia, their ability to pay dividends to us is limited by provisions of Russian law. For example, Russian law requires that, among other things, dividends can only be paid in an amount not exceeding net profits as determined under Russian accounting standards, denominated in rubles, after certain deductions. In addition, dividends may only be paid if the value of the company's net assets is not less than the sum of the company's charter capital, the company's reserve fund and the difference between the liquidation value and the par value of the issued and outstanding preferred stock of the company, if any, as determined under Russian accounting standards. Our net income for the years ended December 31, 2005, 2004 and 2003 that was distributable under Russian legislation amounted to \$444.4 million, \$527.9 million and \$437.4 million, respectively.

Inflation

The Russian economy has been characterized by high rates of inflation:

<u>Year</u>	<u>Inflation rate</u>
2001	18.6%
2002	15.1%
2003	12.0%
2004	11.7%
2005	10.9%

The Ukrainian economy has been characterized by varying rates of inflation:

<u>Year</u>	<u>Inflation rate</u>
2001	6.1%
2002	(0.6)%
2003	8.2%
2004	12.3%
2005	10.3%

In most of the regions in which we operate, except for Ukraine (UMC), Turkmenistan (BCTI) and Krasnodar region (Kuban-GSM), we denominate our tariffs in units linked to the U.S. dollar. While a majority of our costs are denominated in U.S. dollars or are tightly linked to the U.S. dollar, certain of our costs, such as salaries and rents, are sensitive to rises in the general price level in Russia and Ukraine. When, however, the rate of inflation exceeds the rate of devaluation, this results in real appreciation of the local currency versus the U.S. dollar, as was the case with the ruble in 2003. Moreover, in 2004 and 2005, the ruble appreciated in nominal terms against the U.S. dollar, which combined with the rate of inflation in Russia, resulted in a real appreciation of the ruble against the U.S. dollar. We would expect inflation-driven increases in these costs to put pressure on our margins. While we could seek to raise our tariffs to compensate for such increase in costs, competitive pressures may not permit increases that are sufficient to preserve operating margins. We intend to move to ruble-denominated tariffs and invoicing in the future and, to that end, we introduced a fixed exchange rate for converting U.S. dollar-denominated tariffs and charges into Russian rubles in 2006.

Credit Rating Discussion

Our credit ratings impact our ability to obtain short- and long-term financing, and the cost of such financing. In determining our credit ratings, the rating agencies consider a number of factors, including our operating cash flows, total debt outstanding, commitments, interest requirements, liquidity needs and availability of liquidity. Other factors considered may include our business strategy, the condition of our industry and our position within the industry. Although we understand that these and other factors are among those considered by the rating agencies, each agency might calculate and weigh each factor differently.

Our credit ratings as of the date of this document are as follows:

<u>Rating Agency</u>	<u>Long-Term Debt Rating</u>	<u>Outlook/Watch</u>
Moody's ⁽¹⁾	Ba3	Stable
Standard & Poor's ⁽²⁾	BB-	Stable

(1) Rated on December 10, 2001.

(2) Rated on March 24, 2005.

None of our existing indebtedness has any triggers related to our credit ratings.

Critical Accounting Policies

Critical accounting policies are those policies that require the application of management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies are those described below. For a detailed discussion of these and other accounting policies, see Note 2 to our audited consolidated financial statements.

Revenue Recognition

Revenues are recognized on an accrual basis, when services are actually provided or title to equipment passes to customer, regardless of when the resulting monetary or financial flow occurs.

We categorize the revenue sources in the statements of operations as follows:

- Service revenue and connection fees: (a) subscription fees, (b) usage fees, (c) value added service fees, (d) roaming fees charged to other operators for guest roamers utilizing our network, (e) connection fees and (f) prepaid phone cards;
- Sales of handsets and accessories.

We defer initial connection fees paid by subscribers from the time of the initial signing of the contract with a subscriber and activation of value-added services over the estimated average subscriber life in our network. We periodically evaluate actual churn of our subscribers and adjust our estimates of average subscriber lives accordingly. For example, effective January 1, 2004, we have changed our estimates of average subscriber lives which increased our income for the year ended December 31, 2004 by \$8.5 million. The effect of the change in our estimates of average subscriber lives was not material in 2005. If we change our estimates of the average subscribers life in the future, the amounts of connection fees and amortization of the acquired customer base we recognize in income would change accordingly.

Management estimates

The preparation of our audited consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Examples of significant estimates include the provision for doubtful accounts and valuation allowance on deferred tax assets.

License Costs

We capitalize the cost of licenses acquired in business combinations and directly from the government. As the telecommunications industries in Russia, Ukraine, Uzbekistan and Turkmenistan do not have sufficient experience with renewal of licenses or extensions of license terms, we amortize each license on a straight-line basis over the term of the license commencing from the date such license area becomes commercially operational. We review these licenses and their remaining useful life and, if necessary, revise the useful lives based on our actual utilization. The estimated useful lives of licenses may vary depending on market or regulatory conditions, and any revision to the estimated useful lives may result in a cost write off or an increase in amortization costs.

A number of our current licenses provide for payments to be made to finance telecommunications infrastructure improvements, which in the aggregate could total approximately \$18.1 million, as of December 31, 2005. According to the terms of licenses, such contributions are to be made during the license period upon the decision and as defined by the Board of Directors of the Association of GSM-900 Operators. The Association is a nongovernmental, not-for-profit association, and their Board of Directors comprises representatives of the major cellular communications companies, including us. The Association has not adopted any procedures for collecting such payments, nor have such procedures been established by Russian legislation. To date, we have not made any payments pursuant to any of the current operating licenses issued to us and our consolidated subsidiaries. Further, our management believes that we will not be required to make any such payments in the future. In relation to these uncertainties, we have not recorded a contingent liability in the accompanying audited consolidated financial statements.

Useful Lives of Property Plant and Equipment

We calculate depreciation expense for property, plant and equipment on a straight-line basis over their estimated useful lives. We establish useful lives for each category of property, plant and equipment based on our assessment of the use of the assets and anticipated technology evolution. We review and revise if appropriate the assumptions used in the determination of useful lives of property, plant and equipment at least on an annual basis.

As a result of recent financial statement restatements by numerous U.S. public companies and publication of a letter by the Chief Accountant of the SEC regarding the interpretation of longstanding lease accounting principles, we have corrected our accounting practices for leasehold improvements in the fourth quarter of 2004. The primary effect of this accounting correction was to accelerate to earlier periods depreciation expenses with respect to certain components of previously capitalized leasehold improvements.

Impairment of Long-lived Assets

We periodically evaluate the recoverability of the carrying amount of our long-lived assets in accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, we compare undiscounted net cash flows estimated to be generated by those assets to the carrying amount of those assets. When these undiscounted cash flows are less than the carrying amounts of the assets, we record impairment losses to write the asset down to fair value, measured by the estimated discounted net future cash flows expected to be generated from the use of the assets.

Translation Methodology

We use the U.S. dollar as the functional currency for us and most of our subsidiaries because the majority of our and their revenues, costs, property, plant and equipment and intangible assets purchases and debt are either priced, incurred, payable or otherwise measured in U.S. dollars. Each of the legal entities domiciled in Russia, Ukraine, Uzbekistan, Turkmenistan and Belarus maintains its records and prepares its financial statements in the local currency, either the Russian ruble, the Ukrainian hryvnia, the Uzbek som, Turkmenian manat or the Belarusian ruble, in accordance with the requirements of local statutory accounting and tax legislation.

Translation (re-measurement) of financial statements denominated in local currencies into U.S. dollars has been performed in accordance with the provisions of SFAS No. 52 “Foreign Currency Translation.”

For our subsidiaries where the functional currency is the U.S. dollar, monetary assets and liabilities have been translated at the period-end exchange rates. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows have been translated at historical rates. Translation differences resulting from the use of these rates have been accounted for as currency exchange and transaction gains in our consolidated statements of operations.

For UMC and Kuban-GSM, where the functional currency is the local currency, the Ukrainian hryvnia and the Russian ruble, respectively, all year-end balance sheet items have been translated into U.S. dollars at the period-end exchange rate. Revenues and expenses have been translated at the period-average exchange rate. In addition, a “new cost basis” for all non-monetary assets of Kuban-GSM has been established as of January 1, 2003, when the Russian economy ceased to be considered hyperinflationary. A cumulative translation adjustment, related to the translation of UMC and Kuban-GSM, in the amount of \$47.9 million was reported as accumulated other comprehensive income in our audited consolidated balance sheet as of December 31, 2005.

Taxation

Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year. While most of our tax declarations have been inspected without significant penalties, these inspections do not eliminate the possibility of re-inspection.

We believe that we have adequately provided for tax liabilities in our financial statements; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant. See Note 22 to our audited consolidated financial statements.

We recognize deferred tax assets and liabilities for the expected future tax consequences of existing differences between financial reporting and tax reporting bases of assets and liabilities, and for the loss or tax credit carry-forwards using enacted tax rates expected to be in effect at the time these differences are realized. We record valuation allowances for deferred tax assets when it is likely that these assets will not be realized.

New Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143.” This Interpretation clarifies that the term “conditional asset retirement obligation” as used in FASB Statement No. 143, “Accounting for Asset Retirement Obligations,” refers to a legal obligation to perform an asset retirement activity, in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of

settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists to make a reasonable estimate of the fair value of the obligation. Interpretation No. 47 is effective beginning January 1, 2006. We are currently assessing the impact of Interpretation No. 47 on our consolidated financial position and results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised) "Share-Based Payment" (SFAS No. 123R), which requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value. In April 2005, the SEC announced that it would provide a phased-in implementation process for SFAS No. 123R. As a result of this phased-in process, the provisions of SFAS No. 123R must be adopted by most public entities no later than the beginning of the first fiscal year commencing after June 15, 2005. SFAS No. 123R applies to all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. Effective for the fiscal year beginning January 1, 2006, we will adopt the provisions of SFAS No. 123R using a modified version of the prospective application. Under this transition method, compensation cost will be recognized on or after the effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant date fair value of those awards previously calculated under SFAS No. 148 for pro forma disclosures. The adoption of SFAS No. 123R does not have a material impact on our consolidated financial position or results of operations.

In March 2005, the SEC issued Staff Accounting Bulletin, or SAB, No. 107, "Share Based Payment" (SAB 107). SAB 107 summarizes the views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provides the staff's views regarding the valuation of share-based payment arrangements for public companies. We adopt SAB 107 concurrently with the adoption of SFAS 123(R) effective from January 1, 2006. The adoption of SAB 107 does not have a material impact on our consolidated financial position or results of operations.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" (SFAS No. 154), which replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle and is applicable to all voluntary changes and to changes required by an accounting pronouncement if such pronouncement does not specify transition provisions. SFAS No. 154 requires retroactive application to the prior periods' financial statements of changes in accounting principle. In cases when it is impracticable to determine the period-specific or cumulative effects of an accounting change, the statement provides that the new accounting principle should be applied as of the earliest period for which retroactive application is practicable or, if impracticable to determine the effect of a change to all prior periods, prospectively from the earliest date practicable. This Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In June 2005, the Emerging Issues Task Force, or EITF, reached a consensus on EITF Issue No. 05-6, "Determining the Amortization Period for Leasehold Improvements." As part of a business combination, the acquiring entity will often assume existing lease agreements of the acquired entity and acquire the related leasehold improvements. The issues are whether the "lease term" should be reevaluated at consummation of a purchase business combination and whether the amortization period for acquired leasehold improvements should be reevaluated by the acquiring entity in a business combination. The consensus reached by EITF No. 05-6 is effective for leasehold improvements that are purchased or acquired in reporting periods beginning June 29, 2005. The adoption of EITF No. 05-6 did not have a material impact on our financial position and results of operations.

In October 2005, the FASB issued FASB Staff Position, or FSP, FAS 13-1, "Accounting for Rental Costs Incurred during a Construction Period." Under the provisions of FSP FAS 13-1, lessees may not capitalize rental costs incurred on building or ground operating leases during a construction period. Instead, rental costs should be expensed on a straight-line basis starting at the beginning of the lease term, *i.e.*, when the lessee takes possession of or is given control of the leased property. The provisions of FSP FAS 13-1 are effective starting with the first reporting period beginning after December 15, 2005. We are currently assessing the impact of FSP FAS 13-1 on our consolidated financial position and results of operations.

Trend Information

Sales

In 2005, our revenues increased by 28.9% from \$3,887.0 million to \$5,011.0 million. Our subscriber base increased to 58.2 million subscribers as of December 31, 2005, from 34.2 million as of December 31, 2004, or by 70.2%. In 2004, our revenues increased by 52.7% from \$2,546.2 million to \$3,887.0 million. Our subscriber base increased to 34.2 million subscribers as of December 31, 2004 from 16.7 million as of December 31, 2003, or by 104.8%.

Average monthly service revenue per subscriber in Russia fell from \$17 in 2003 to \$12 in 2004 due to the introduction of lower tariffs in the Moscow license area and generally lower tariffs in regions, as well as penetration to mass-market. This trend continued in the year ended December 31, 2005, as average monthly service revenue per subscriber in Russia decreased to \$8 for the year ended December 31, 2005.

In 2004 and 2005, more than half of our subscriber growth occurred outside of the Moscow license area. However, as a result of competition and the tariff structure providing for lower price levels in the Russian regions outside of the Moscow license area, average monthly service revenue per subscriber in the Russian regions remains lower than in the Moscow license area (though costs are generally lower there, as well). See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Increased competition and a more diverse subscriber base have resulted in decreasing average monthly service revenues per subscriber, which may materially adversely affect our results of operations." We generally expect to see a continued decline in average monthly service revenue per subscriber due to the growth in the regional subscriber base outside Moscow and introduction of lower tariff plans or decrease in prices of the existing tariff plans in connection with our competitive marketing efforts.

UMC experienced subscriber growth from 3.4 million subscribers at December 31, 2003, to 7.4 million subscribers at December 31, 2004, and 13.3 million at December 31, 2005, and we expect this trend to continue, assuming the Ukrainian economy continues to grow. Average monthly service revenue per subscriber decreased in 2005 to \$10 from \$13 in 2004 as a result of an extensive mass-marketing campaign focused on Ukraine's youth.

Uzdunrobita experienced an 87.1% increase in subscriber growth from 310,000 subscribers at December 31, 2004 to 580,000 subscribers at December 31, 2005, and we expect this trend to continue due to Uzdunrobita's leading position in terms of subscribers and Uzbekistan's low penetration rate. Average monthly service revenue per subscriber peaked at \$16 in 2005.

Inventory

Overall, our inventory was \$156.7 million at December 31, 2005, as compared to \$89.5 million at December 31, 2004. The increase is mainly explained by a significant increase in purchases made in 2005 as part of our capital expenditure spending to support expansion and network maintenance requirements.

Churn

Churn, as we define it, includes internal churn within our subscriber base, *i.e.*, it includes subscribers who disconnect from our network in order to enroll in another tariff plan offered by us. Internal churn increased following the launch in November 2002 of our “Jeans” tariff plan. See “—Subscriber Data” above. Our subscriber churn in Russia decreased from 47.3% in 2003 to 27.5% in 2004 as a result of certain marketing initiatives we launched with the aim of increasing subscriber loyalty, and this trend continued in 2005 as our subscriber churn for the year ended December 31, 2005, was 20.7%. Although our subscriber churn in Russia decreased for the year ended December 31, 2005, we believe that subscriber churn is highly dependent on competition and the number of mass-market subscribers in our overall subscriber mix. Mass-market subscribers generally choose to prepay their mobile phone usage by purchasing pre-paid packages and are more likely to switch providers to take advantage of low-tariff promotions. As a result, competition for these subscribers will likely lead to sustained downward pressure on tariffs. Other factors influencing subscriber churn include the absence of connection fees and long-term service contracts between us and our subscribers in Russia, both of which prevent early subscriber churn.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Obligations under guarantee contracts

As of December 31, 2005 and 2004, our off-balance sheet arrangements consisted of debt guarantees issued to related parties as follows:

	Guaranteed amount outstanding at December 31,	
	2005	2004
	(in millions)	
Invest-Svyaz Holding	\$3.5	\$21.6
MTS Belarus	9.0	25.0
Total	\$12.5	\$46.6

We issued guarantees to various financial institutions on behalf of Invest-Svyaz Holding, a wholly-owned subsidiary of Sistema. Invest-Svyaz Holding’s primary business is leasing various types of telecommunications and other assets to us. See Note 17 to our audited consolidated financial statements for additional information regarding these transactions. We classify these leases as capital leases in our consolidated financial statements and the present value of future lease payments is reflected as a liability in our consolidated balance sheet.

We issued financial guarantees on behalf of MTS Belarus, our equity investee to assist it with its financing needs. See Note 19 to our audited consolidated financial statements. Under each of the guarantees outstanding as of December 31, 2005, we could be required to compensate financial institutions in the event of the borrower’s default. We are currently not aware of any events, and do not anticipate that any event will occur, that would cause a default of the borrowers and, therefore, require us to fulfill our obligations to make payments under these guarantees. As of December 31, 2005, these guarantees are reflected in our consolidated balance sheet at their fair values of \$0.6 million.

Obligations under derivative contracts

In connection with our acquisition of 51% of the common shares and 50% of the preferred shares of TAIF Telcom in April 2003, we entered into call and put option agreements with shareholders of TAIF Telcom to acquire the remaining 49% of the common shares and 50% of the preferred shares of TAIF Telcom. The exercise periods for the call option on the common shares was 48 months from the acquisition date and for the put option on the common shares was 36 months following an 18-month period after the acquisition date. The call and put option agreements for the common shares stipulated a minimum purchase price of \$49.0 million plus 8% per annum commencing from the acquisition date. The exercise periods for the call option on the preferred shares was 48 months following a 24-month period after the acquisition date and for the put option on the preferred shares was a 24-month period from the acquisition date. The call and put option agreements for the preferred shares stipulated a minimum purchase price of \$10.0 million plus 8% per annum commencing from the acquisition date. We exercised our call option to acquire the remaining shares in September 2004 and completed the acquisition in October 2004.

In connection with our acquisition of 74% of the shares in Uzdunrobita in August 2004, we entered into call and put option agreements with the existing shareholders of the company to acquire the remaining 26% of the shares. See Note 3 to our audited consolidated financial statements. The exercise period for the option is 36 months from the acquisition date. The call and put option agreements stipulate a minimum purchase price of \$37.7 million plus 5% per annum commencing from the acquisition date. The fair value of the put option was approximately \$5.9 million as of December 31, 2005.

In December 2004, we entered into two variable-to-fixed interest rate swap agreements with ABN AMRO Bank N.V and with HSBC Bank plc to hedge our exposure to variability of future cash flows caused by the change in LIBOR related to the syndicated loan. We agreed with ABN AMRO to pay a fixed rate of 3.27% and receive a variable interest of LIBOR on \$100.0 million for the period from October 7, 2004 up to July 27, 2007. We agreed with HSBC Bank plc to pay a fixed rate of 3.25% and receive a variable interest of LIBOR on \$150.0 million for the period from October 7, 2004 up to July 27, 2007. These instruments qualify as cash flow hedges under the requirements of SFAS No. 133 as amended by SFAS No. 149. As of December 31, 2005, we recorded an asset of \$3.6 million in relation to these contracts in the accompanying consolidated balance sheet and a gain of \$2.8 million net of tax of \$0.8 million as other comprehensive income in the accompanying consolidated statement of changes in shareholders' equity in relation to the change in fair value of these agreements.

In December 2005, we acquired a 51.0% stake in Tarino for \$150.0 million in cash. Tarino was at that time the indirect owner, through its wholly-owned subsidiaries, of Bitel, a Kyrgyz company holding a GSM 900/1800 license for the entire territory of Kyrgyzstan. Concurrently with the purchase of a 51.0% stake, we entered into a put and call option agreement with the shareholder of Tarino to acquire the remaining 49.0% interest in Tarino. The call option is exercisable by us from November 22, 2005 to November 17, 2006, and the put option is exercisable by the seller from November 18, 2006 to December 8, 2006. The call and put option price is \$170.0 million. The put and call option were recorded at fair value, which approximated \$nil at December 31, 2005, in the consolidated balance sheet.

Tabular Disclosure of Contractual Obligations

We have various contractual obligations and commercial commitments to make future payments, including debt agreements, lease obligations and certain committed obligations. The following table summarizes our future obligations (including capital lease interest) under these contracts due by the periods indicated as of December 31, 2005:

	2006	2007-2008	2009-2010	2011- thereafter	Total
Contractual Obligations:					
Notes payable	\$—	\$400,000	\$400,000	\$399,052	\$1,199,052
Bank loans	765,881	401,508	202,885	275,510	1,645,784
Interest payments	183,050	245,853	140,192	48,000	617,095
Capital leases	3,413	3,160	12	2	6,587
Operating leases and service agreements	80,211	47,899	31,682	37,705	197,497
Committed Investments:⁽¹⁾					
Purchases of property, plant and equipment	388,190	—	—	—	388,190
Total	<u>\$1,420,745</u>	<u>\$1,098,420</u>	<u>\$774,771</u>	<u>\$760,269</u>	<u>\$4,054,205</u>

⁽¹⁾ Under non-binding purchase commitments.

In addition, as of December 31, 2005, we had guaranteed indebtedness of related parties not reflected in our financial statements, due to the insignificance of its fair value, under which we could be potentially liable for \$12.5 million. See Note 22 to our audited consolidated financial statements.

Since the commencement of our operations in 1994, a number of telecommunication licenses for the Russian Federation were issued to us and our now consolidated subsidiaries. These license agreements stipulate that certain fixed “contributions” be made to a fund for the development of telecommunication networks in the Russian Federation. A number of our current licenses provide for the payment of such fees, which in the aggregate could total approximately \$18.1 million as of December 31, 2005, which are not reflected in our financial statements. See Note 22 to our audited consolidated financial statements for additional information.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Key Biographies

Our directors and executive officers, and their dates of birth and positions as of the date of this annual report were as follows:

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>
Sergey D. Schebetov	1966	Chairman
Vladimir S. Lagutin	1947	Deputy Chairman
Alexei N. Buyanov ⁽¹⁾	1969	Director
Alexander E. Gorbunov	1967	Director
Helmut Reuschenbach ⁽¹⁾	1948	Director
Sir Peter Middleton ⁽¹⁾	1934	Director
Leonid A. Melamed	1967	Director, President and Chief Executive Officer
Eric Franke	1955	First Vice President and Chief Operating Officer
Vsevolod V. Rozanov	1971	Vice President—Finance and Chief Financial Officer
Tatiana V. Evtushenkova	1976	Vice President—Strategy and Corporate Development
Mikhail V. Shamolin	1970	Vice President—Sales and Customer Service
Dr. Yury A. Gromakov	1946	Vice President—Technology and Network Development
Sergey G. Aslanyan	1973	Vice President and Chief Information Officer
Dmitry A. Prokhorenko	1969	Vice President—Human Resources
Grzegorz Esz	1970	Vice President—Chief Marketing Officer
Andrei B. Terebenin	1962	Vice President—Corporate Communications
Pavel D. Belik	1966	Vice President—Security

⁽¹⁾ Member of Audit Committee.

Sergey D. Schebetov has served as Chairman of our Board of Directors since March 2006. Mr. Schebetov also serves as the Chairman of the Board of Directors of Comstar UTS, a subsidiary of Sistema. He also serves as the Chief Executive Officer of Sistema Telecom, a subsidiary of Sistema which oversees all of Sistema's telecommunications business, and also serves on the Board of Directors of four Sistema-affiliated companies (Concern RTI-Systems, Sistema Mass-media, MGTS and Sistema-Hals). From 2001 to 2005, Mr. Schebetov served as the Head of the Corporate Development Department of Sistema. From 1999 to 2001, he served as the Development Director of Integrum-Techno, an IT company and, from 1997-1999, Mr. Schebetov served as the Vice President of the corporate finance department of ATON Capital Group, an investment company.

Vladimir S. Lagutin has served as Deputy Chairman of our Board of Directors since March 2006 and, from October 2003 to March 2006, he served as the Chairman of our Board of Directors. From July 2003 to January 2006, Mr. Lagutin served as the General Director of Sistema Telecom, and served as the General Director of MGTS from 1995 to July 2003. In addition, Mr. Lagutin serves as the Chairman of the Boards of Directors of MGTS and serves on the Boards of Directors of Sistema Telecom and OJSC CSC. All of these companies are subsidiaries of Sistema. Mr. Lagutin also serves on the Board of Directors of Sistema.

Alexei N. Buyanov has served as one of our Directors since June 2003. Mr. Buyanov has served as First Vice President of Sistema since September 2002. From 1998 to 2002, he served as our Vice President, Finance. He also serves on the board of directors of various other companies affiliated with Sistema.

Alexander E. Gorbunov has served as one of our Directors since March 2006. Mr. Gorbunov has served as the Head of the Corporate Development Department of Sistema since July 2005. From 2003 to

2005, he held the position of Director of Strategy with us and, from 2002 to 2003, Mr. Gorbunov was in charge of the Strategic Analysis and Planning Department of Sistema Telecom. Prior to this, Mr. Gorbunov was employed by the Moscow and Boston offices of Bain & Company.

Helmut Reuschenbach has served as one of our Directors since November 2004. Mr. Reuschenbach has served as a Director at Lazard & Co. GmbH Frankfurt since 2001. Prior to that, he was at Deutsche Telekom AG where he served as Treasurer and Senior Executive Vice President for Finance for six years. Prior to 1994, he was the Chief Financial Officer and a member of the Board of Directors of Mercedes-Benz S.A. in Belgium and also served as Chief Executive Officer of Daimler-Benz Coordination Center S.A. and Daimler-Benz Financial Company S.A. From 1989 to 1993, Mr. Reuschenbach served as Vice President for Finance at Daimler-Benz AG in Stuttgart. Previously, he has served as Director of Finance at AEG Aktiengesellschaft in Frankfurt, Director of Finance and Administration at AEG Italiana S.p.A. in Milan and Corporate Finance Manager at AEG-TELEFUNKEN Aktiengesellschaft in Frankfurt.

Sir Peter Middleton has served as one of Directors since June 2005. Sir Peter Middleton also serves as the Chairman of the Camelot Group plc, President of the British Bankers Association, Chairman of the Barclays Group Asia Pacific Advisory Committee, Deputy Chairman of United Utilities, Chairman of Sheffield Urban Regeneration Company (Sheffield One), Chairman of CEDR (Centre for Effective Dispute Resolution) and Chairman of Reyniers & Co.

Leonid A. Melamed has served as our Director, President and Chief Executive Officer since June 2006. Mr. Melamed has served in various management positions at Rosno since its founding in 1991 and continues to serve as a member of Rosno's Board of Directors. From September 2003 to April 2006, he served as the General Director-Chief Executive Officer and, from March 2001 to September 2003, he served as the First Deputy Director General-Executive Director. Prior to that, from September 1997 to March 2001, Mr. Melamed served as First Deputy Director General of Rosno. From February 1992 to June 1992, Mr. Melamed served as Director of Rosno's Center for Medical Insurance and, from June 1992 to June 2003, he held the position of Deputy Chairman of the Management Board. From June 1993 to March 2001, Mr. Melamed served as First Deputy Chairman of the Management Board. In 2004, Mr. Melamed was elected Chairman of the Expert Council in Insurance Legislation, which is part of the Russian State Duma Committee on Credit Organizations and Financial Markets.

Eric Franke has served as our First Vice President and Chief Operating Officer since October 2005. In March 2001, Mr. Franke was appointed Director General of UMC. In August 1998, he was appointed Director for Mobile Communications at Golden Telecom where he managed the company's operations in Ukraine. From 1988 to 1998, Mr. Franke worked for Ericsson where he served as Director of Mobile Communications and later as Vice President for Russia and the CIS.

Vsevolod V. Rozanov has served as our Vice President and Chief Financial Officer since April 2006. From August 2004 to April 2006, he served as Deputy General Director and Chief Financial Officer of Comstar UTS and, from April 2002 to August 2004, Mr. Rozanov served as Deputy General Director and Chief Financial Officer of MTU-Inform. He worked as a Senior Manager at CenterInvest group from 2001 to 2002 and, from 1994 until 2001, he held various consulting positions at the Moscow, London and Stockholm offices of Bain & Company.

Tatiana V. Evtushenkova has served as our Vice President—Strategy and Corporate Development since October 2002. From December 1999 to October 2002, Ms. Evtushenkova served as the Director of the Investment Department at Sistema Telecom, a subsidiary of Sistema. Prior to joining Sistema Telecom, she worked in the investment banking division of Salomon Smith Barney. Ms. Evtushenkova is the daughter of Vladimir P. Evtushenkov, the controlling shareholder and Chairman of the Board of Sistema.

Mikhail V. Shamolin has served as our Vice President—Sales and Customer Service since July 2005. From 2004 to 2005, Mr. Shamolin worked at Interpipe Corp. (Ukraine) as Managing Director of the Ferroalloys Division. From 1998 to 2004, he held various consulting positions at McKinsey & Co.

Dr. Yury A. Gromakov has served as our Vice President—Technology and Network Development since March 2002, and served as our Vice President of Technology and Network Development from 1994 until February 2002. He has been involved in mobile communications for over 30 years and holds a degree of Doctor of Technical Sciences, the highest scientific degree in Russia, and has been awarded a degree as Honorable Radio Operator of Russia. Dr. Gromakov is also a member of the International Academy of the Science of Information and Information Processes and Technologies.

Sergey G. Aslanyan has served as our Vice President and Chief Information Officer since December 2003. Prior to joining us, Mr. Aslanyan worked at TNK-BP Management as the Deputy Director of Information Technology. He worked at PricewaterhouseCoopers from 1997 to 2001.

Dmitry A. Prokhorenko has served as our Vice President—Human Resources since July 2005. Mr. Prokhorenko joined MTS as the Director of Human Resources in February 2004. From 2002 to 2004, he served as the Director of Human Resources at M. Video and, from 1993 to 2002, he served as the Director of Human Resources at L’Oreal’s Russian branch.

Grzegorz Esz has served as our Vice President—Chief Marketing Officer since March 2005. Mr. Esz joined MTS as the Deputy Vice President of Marketing in October 2005. Prior to joining MTS, he served as a Managing Director of Retail at one of the largest banks in Poland. From 1997 to 2005, Mr. Esz held several management positions at ERA Company, which is one of the largest GSM operators in Poland, serving as the Deputy Chief Marketing Officer from 2003 to 2005.

Andrei B. Terebenin has served as our Vice President—Corporate Communications since January 2006. Prior to joining MTS, Mr. Terebenin served as the General Director of R.I.M. Porter Novelli, a leading public relations network agency from 1999 to 2005. From 1991 to 1999, he held management positions at AIG Russia, Dun & Bradstreet CIS and the financial magazine “Economica & Zhizn.”

Pavel D. Belik has served as our Vice President—Security since October 2005. Mr. Belik joined MTS in February 2005 as the Director of Security in the Moscow macro region. Prior to joining MTS, he served in the Federal Security Service of the Russian Federation for more than 20 years.

The business address of each of our directors is 4 Marksistkaya Street, Moscow 109147, Russian Federation.

B. Compensation of Directors and Senior Management

Executive Compensation

Our officers and directors were paid during 2005 an aggregate amount of approximately \$13.7 million for services in all capacities provided to us; this amount was comprised of \$5.0 million in base salary and a \$8.7 million bonus paid pursuant to a bonus plan for the management and directors whereby bonuses are awarded annually based on our financial performance.

Management Stock Bonus and Stock Option Plans

On April 27, 2000, contingent on the closing of our initial public offering, we established a stock bonus plan and stock option plan for selected officers, key employees and key advisors. Under the plans, directors, key employees and key advisors received 3,587,987 shares of our common stock and will participate in a stock option plan under which they may receive options to purchase up to an additional 9,966,631 shares of our common stock. At the time of the initial public offering, we issued 13,554,618

shares of common stock to our subsidiary Rosico pursuant to these plans at a price of \$1.024 per share for the total amount of \$13.9 million. Following the merger of Rosico into us in June 2003, these shares were transferred to our wholly-owned subsidiary, MTS LLC.

Under the stock bonus plan, during the period from September 12, 2000, through September 22, 2000, 3,587,987 shares of common stock were purchased from Rosico at a nominal price of 0.1 rubles per share as follows:

	<u>Number of shares purchased</u>	<u>Percentage of total shares outstanding</u>
Employees and Directors	3,049,786	0.153%
Key Advisors	538,201	0.027%
Total	<u>3,587,987</u>	<u>0.180%</u>

On the date the shares were granted, we recognized aggregate expenses under this plan as compensation and consulting expenses amounting to \$4.5 million and \$0.8 million, respectively, based on the fair value of the shares on the date they were granted.

Under the stock option plan, board members and key employees, upon being granted stock options, will have the right to purchase up to 9,966,631 shares of our common stock or, in lieu of shares, receive a cash award equal to the difference between the price per share fixed in the option agreement and the market price per share of our common stock on the date of exercise.

On August 14, 2001, pursuant to option agreements, we granted options in respect of 1,020,682 shares of our common stock to our board members and 808,529 shares of our common stock to our key employees. These options provided that, on July 15, 2003, board members and key employees could purchase shares of our common stock at \$1.31 per share, which represented the 100-day average sales price of the shares at August 14, 2001. The stock option agreement for a board member terminated if the board member was terminated as a board member prior to our 2002 annual shareholders' meeting. The stock option agreement for a key employee terminated if the employee left us before July 15, 2003.

In July 2003, board members and key employees purchased a total of 37,557 shares pursuant to the August 2001 option agreements. Fifty-seven of the option holders elected cash awards in lieu of shares, and cash awards were granted in respect of 1,746,310 shares in the amount of \$1.633 per share (the difference between \$1.31, the price per share fixed in each agreement, and \$2.943, the market price per share on July 15, 2003). In addition, options relating to 45,344 shares were cancelled pursuant to the termination provisions described above.

On October 24, 2002, pursuant to option agreements, we granted options in respect of 1,739,640 shares of our common stock to our board members and 1,107,041 shares of our common stock to our key employees. These options have an exercise price of \$1.49 per share, which represents the 100-day average market price of the shares at the date of grant and will vest 21 months from the date of the grant. The stock option agreement for a board member would have terminated if the board member was terminated as a board member before our 2003 annual shareholders' meeting. The stock option agreement for a key employee would have terminated if the employee left us before July 15, 2004.

In July-August 2004, board members and key employees purchased a total of 2,726,966 shares pursuant to the October 2002 option agreements. In addition, options relating to 119,715 shares were cancelled pursuant to the termination provisions described above.

In July 2003, pursuant to option agreements, we granted options in respect of 1,434,400 shares of our common stock to our board members and 518,232 shares of our common stock to our key employees. These options have an exercise price of \$2.43 per share, which represents the 100-day average market price

of the shares at the date of grant and will vest 24 months from the date of the grant. The stock option agreement for a board member would have terminated if the board member was terminated as a board member before our 2004 annual shareholders' meeting. The stock option agreement for a key employee would have terminated if the employee left us before July 15, 2005.

In August 2005, board members and key employees purchased a total of 1,801,622 shares pursuant to the July 2003 option agreements. In addition, options relating to 151,010 shares were cancelled pursuant to the termination provisions described above.

In August 2004, pursuant to option agreements, we granted options in respect of 745,436 shares of our common stock to our board members and 919,820 shares of our common stock to our key employees. These options have an exercise price of \$5.95 per share, which represents the 100-day average market price of the shares at the date of grant and will vest 23 months from the date of the grant. The stock option agreement for a board member will terminate if the board member is terminated as a board member before our 2005 annual shareholders' meeting. The stock option agreement for a key employee will terminate if the employee leaves us before July 15, 2006. We expect to recognize a compensation expense of approximately \$2.0 million over the 23-month period. By December 31, 2005, we recognized \$1.3 million of compensation expenses based on the intrinsic value of these options, and during 2006, we plan to recognize approximately \$0.7 million, according to the fair value method of SFAS 123R.

In August 2005, pursuant to option agreements, we granted options in respect of 699,705 shares of our common stock to our board members and 1,078,989 shares of our common stock to our key employees. These options have an exercise price of \$6.89 per share, which represents the 100-day average market price of the shares at the date of grant and will vest 23 months from the date of the grant. The stock option agreement for a board member will terminate if the board member is terminated as a board member before our 2006 annual shareholders' meeting. The stock option agreement for a key employee will terminate if the employee leaves us before July 15, 2007. We expect to recognize a compensation expense of approximately \$2.2 million over the 23-month period. By December 31, 2005, we recognized \$0.2 million of compensation expenses based on the intrinsic value of these options, and during 2006, we plan to recognize approximately \$2.0 million, according to the fair value method of SFAS 123R.

Prior to 2006, we accounted for stock options issued to employees, non-employee directors and consultants following the requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148 "Accounting for Stock Based Compensation—Transition and Disclosure, an amendment to FASB Statement No. 123." Under the requirements of these statements, we elected to use the intrinsic value of the options on the measurement date as a method for accounting for compensation to employees and non-employee directors. Compensation to consultants was measured based on the fair value of options on the measurement date as determined using a binomial option-pricing model. Effective for the fiscal year beginning January 1, 2006, we adopted a modified version of the provisions of SFAS No. 123R, which requires us to measure the compensation cost of all share-based payments (including employee stock options) at fair value. See "Item 5. Operating and Financial Review and Prospects—New Accounting Pronouncements."

In accordance with Russian legislation, our board members and key employees may be considered insiders with respect to us, and thus may be restricted from selling their shares.

C. Board Practices

Board of Directors

Members of our Board of Directors are elected by a majority vote of shareholders at the annual shareholders' meeting using a cumulative voting system. Directors are elected for one year terms and may be re-elected an unlimited number of times. The Board currently consists of seven members, although it

may be increased to nine members by shareholder resolution. The Board has the authority to make overall management decisions for us, except those matters reserved to the shareholders. It must meet at least once per quarter, though it may meet more often at its election. The members of our Board do not serve pursuant to a contract.

In 2004, the Board of Directors approved the establishment of, and guidelines for, three new Board committees: restructuring committee, budgeting committee and quality committee. The restructuring committee was established to oversee and address matters related to the development and implementation of a new organizational structure for our business. The budgeting committee was established to prepare recommendations to the Board of Directors on issues relating to the preparation, approval and supervision of our budgets, long-term business plans and investment plans. The quality committee was organized to manage issues relating to the quality of our cellular network's operation. The Board of Directors also approved a Code of Ethics applicable to our senior officers.

In 2006, the Board of Directors approved the establishment of, and guidelines for, two new Board committees: Remuneration and Appointments Committee and the Committee for Corporate Conduct and Ethics. We established the Remuneration and Appointments Committee to develop proposals to be presented to the Board of Directors with respect to structuring remuneration and compensation levels for management executives. The committee for corporate conduct and ethics was established to maintain an effective corporate governance system and to further enhance the quality of corporate management, and ensure we follow the best practices for public organizations worldwide.

Audit Committee

Our Audit Committee consists of three members appointed by the Board of Directors. The current members are Helmut Reuschenbach, Sir Peter Middleton and Alexei Buyanov. Sir Peter Middleton and Mr. Reuschenbach, who serves as Chairman of the Audit Committee, are both independent members of the Board of Directors. Mr. Buyanov is exempt from the independence requirement under SEC Rule 10A-3 because he is a non-voting member of the Audit Committee with observer status only. The Audit Committee is primarily responsible for the integrity of our financial statements, our compliance with legal and regulatory requirements, assuring the qualifications and independence of our independent auditors and overseeing the audit process, including audit fees, resolving matters arising during the course of audits and coordinating internal audit functions.

Remuneration and Appointments Committee

Our Remuneration and Appointments Committee was established on March 28, 2006 and consists of three members appointed by the Board of Directors. The current members are Sergey Schebetov, Vladimir Lagutin and Helmut Reuschenbach, who serves as Chairman of the Remuneration and Appointments Committee. The Remuneration and Appointments Committee is primarily responsible for developing a remuneration structure and compensation levels for management executives.

President

The shareholders' meeting, at the recommendation of the Board of Directors, appoints our President for a term of three years. The rights, obligations and the times and amounts of payment for the President's services are determined by a contract between him and us, as represented by our Chairman or by a person authorized by our Board of Directors. The President is responsible for day-to-day management of our activities, except for matters reserved to our shareholders or the Board of Directors. The President reports to the shareholders' meeting and to the Board of Directors and is responsible for carrying out decisions made by the shareholders and by the Board of Directors. Leonid Melamed was appointed our acting

President in April 14, 2006 and elected as our President and CEO pursuant to an extraordinary shareholders' meeting held on June 14, 2006.

Review Commission

Our Review Commission supervises our financial and operational activities. Members of the Review Commission are nominated and elected by our shareholders for a term of one year. A director may not simultaneously be a member of the Review Commission. As of December 31, 2005, our Review Commission had three members:

- Alexei P. Petlinov holds the position of Senior Financial Analyst , Finance Department at Sistema Telecom.
- Vassily V. Platoshin holds the position of Chief Accountant at Sistema.
- Ivan V. Matushkin holds the position of Executive Director of the Financial Planning Group, Department of Finance at Sistema.

The members of our Review Commission do not serve pursuant to a contract, and their terms expire at the next annual shareholders' meeting, which will take place on June 23, 2006.

Corporate Governance

We are required under the New York Stock Exchange listing rules to disclose any significant differences between the corporate governance practices that we follow under Russian law and applicable listing standards and those followed by U.S. domestic companies under New York Stock Exchange listing standards. This disclosure is posted on our website (<http://www1.company.mtsghm.com/profile/ethics/>).

D. Employees

At December 31, 2005, we had 27,668 employees. Over 20.0% of these employees, or 5,537, worked in Moscow (including employees of our corporate headquarters). Of our 24,253 employees in Russia, we estimate that 515 were executives (including the President and other officers); 4,679 were technical and maintenance employees; 12,589 were sales, marketing and customer service staff; and 6,470 were administration and finance staff.

As of December 31, 2005, 2,421 of our employees worked in Ukraine. Of these employees, we estimate that 22 were executives; 708 were technical and maintenance employees; 1,206 were sales, marketing and customer service staff; and 485 were administration and finance staff.

As of December 31, 2005, 844 of our employees worked in Uzbekistan. Of these employees, we estimate that 16 were executives; 317 were technical and maintenance employees; 217 were sales, marketing and customer service staff; and 294 were administration and finance staff.

As of December 31, 2005, 150 of our employees worked in Turkmenistan. Of these employees, we estimate that 4 were executives; 16 were technical and maintenance employees; 91 were sales, marketing and customer service staff; and 39 were administration and finance staff.

The substantial growth in the number of our employees is attributable primarily to the continued expansion of our network in Russia and the CIS and our increased focus on customer care. In addition, in 2004 we added a new intermediate management level for “macro-regions” to our management structure. Our 10 macro-region offices are responsible for implementing the strategy developed by our corporate headquarters in all regions falling within their specific macro-region. The following chart sets forth the number of our employees at December 31, 2003, 2004 and 2005:

	At December 31,		
	2003	2004	2005
Moscow license area (including employees of corporate headquarters)	4,067	4,603	5,060
Other regions in Russia	14,367	16,215	19,193
Ukraine	1,121	1,754	2,421
Uzbekistan	—	813	844
Turkmenistan	—	—	150
Total	<u>19,555</u>	<u>23,385</u>	<u>27,668</u>

Our employees are not unionized, we have not experienced any work stoppages and we consider our relations with employees to be strong.

E. Share Ownership

We believe that the aggregate beneficial interest of our directors, senior management and employees as of December 31, 2005 was less than 1% of our outstanding common stock.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth, as of May 31, 2006, certain information regarding the beneficial ownership of our outstanding common stock. All shares of common stock have the same voting rights.

Name	Beneficial ownership as of May 31, 2006	
	Number	Percentage
Sistema ⁽¹⁾⁽²⁾	636,224,752	32.0%
Sistema Holding Limited ⁽²⁾	193,473,900	9.7%
Invest-Svyaz ⁽³⁾	160,247,802	8.1%
VAST ⁽⁴⁾	60,219,432	3.0%
ING Bank (Eurasia) ZAO ⁽⁵⁾	818,105,315	41.2%
Other Public Float (including our directors and executive officers) ⁽⁶⁾	119,654,451	6.0%
Total ⁽⁷⁾	<u>1,987,925,652</u>	<u>100.0%</u>

⁽¹⁾ Vladimir P. Evtushenkov has a controlling interest in Sistema, and would be considered under U.S. securities laws as the beneficial owner of our shares held by Sistema, Sistema Holding Limited, Invest-Svyaz and VAST. Mr. Evtushenkov is also the chairman of the board of directors of Sistema.

⁽²⁾ In connection with its April 2003 Eurobond offering, Sistema pledged 193,473,900 shares of our common stock held by Sistema Holding Limited to Deutsche Trustee Company Limited.

⁽³⁾ Invest-Svyaz is a Russian closed joint stock company wholly-owned by Sistema. In 2005, Invest-Svyaz Holding was reorganized into two separate entities: Invest-Svyaz, which serves as a holding company of our shares and is one of our major shareholders and Invest-Svyaz Holding, a company also

wholly-owned by Sistema, whose primary business is leasing various types of telecommunications and other assets to us.

- (4) VAST is a limited partnership formed under the laws of Russia. Sistema owns 100% of VAST. An extract from our shareholders register dated June 14, 2006 contains an entry prohibiting any transfer of these shares.
- (5) ING Bank (Eurasia) is the local custodian for our sponsored ADR program and the unsponsored GDR programs.
- (6) We believe that our directors and executive officers as a group own less than 1% of our shares.
- (7) Our wholly-owned subsidiary, Mobile TeleSystems LLC, owns 5,400,486, or 0.3%, of our shares in connection with our Management Stock Bonus and Stock Option Plans. These are excluded from the total number of shares presented here.

In April 2003, Sistema acquired directly and indirectly from T-Mobile 199,322,614 shares of common stock amounting, in aggregate, to an additional 10% of our outstanding common stock. This included 120,811,184 shares of common stock acquired directly from T-Mobile and the acquisition of all the shares in Invest-Svyaz Holding previously held by T-Mobile, representing a beneficial interest in a further 78,521,430 shares of common stock.

In April 2003 and December 2004, T-Mobile sold an additional 5.0% and 15.1% of our common stock, respectively, in the form of GDRs through an unsponsored GDR program. In September 2005, T-Mobile sold its remaining 10.1% interest in us on the open market.

At December 31, 2004, Sistema owned a 51.0% equity interest in VAST, and the remaining 49.0% interest was held by ASVT, a Russian open joint-stock company. In December 2005, Sistema acquired the 49.0% stake in VAST bringing its total interest to 100.0%. In addition, Sistema acquired a 0.7% stake in us on the open market during 2005. These transactions collectively increased Sistema's effective ownership in us from 50.6% at December 31, 2004 to 52.8% by December 31, 2005.

As of May 31, 2006, the total number of ADSs outstanding was 155,469,097 representing underlying ownership of 777,345,485 shares, or approximately 39.1% of our outstanding common stock. Of these 155,469,097 ADSs, approximately 17.7% were held by U.S. investors, as of March 31, 2006. The shares underlying the ADSs are deposited with JPMorgan Chase Bank, formerly known as Morgan Guaranty Trust Company of New York and the local custodian is ING Eurasia.

B. Related Party Transactions

Transactions with Sistema and its Affiliates

Moscow Bank of Reconstruction and Development (MBRD)

We have been maintaining certain bank and deposit accounts with MBRD, a subsidiary of Sistema. As of March 31, 2006 and December 31, 2005, we had cash positions at MBRD in the amount of \$18.1 million and \$18.0 million in current accounts, respectively. Interest accrued and collected on the deposits for the period ended March 31, 2006 amounted to \$0.3 million. The related interest accrued and collected on the deposits for the year ended December 31, 2005 amounted to \$5.4 million, and was included as a component of interest income in the accompanying consolidated statements of operations.

Rosno OJSC (Rosno)

We arranged medical insurance for our employees and insured our property with Rosno, a subsidiary of Sistema. Insurance premiums paid to Rosno for the period ended March 31, 2006 and the year ended

December 31, 2005 amounted to \$0.3 million and \$12.6 million, respectively. Management believes that all of the insurance contracts with Rosno were entered into on market terms.

Maxima Advertising Agency (Maxima) and Mediaplanning

We have contracts for advertising services with Maxima and Mediaplanning, subsidiaries of Sistema. Advertising fees paid to Maxima and Mediaplanning for the period ended March 31, 2006 amounted to \$23.1 million and \$6.0 million, respectively, and to \$58.6 million and \$21.5 million for the year ended December 31, 2005, respectively. Management believes that these agreements were entered into on market terms.

Kvazar-Micro Corporation (Kvazar)

In 2005, we signed agreements to purchase software systems and related equipment with Kvazar, a subsidiary of Sistema since July 2004. Related fees for the period ended March 31, 2006 and the year ended December 31, 2005 amounted to approximately \$9.0 million and \$62.0 million, respectively. Management believes that these agreements were entered into on market terms.

Telmos

We have interconnection and line rental agreements with, and receive domestic and international long-distance services from Telmos, a subsidiary of Sistema. Interconnection and line rental expenses for the period ended March 31, 2006 and the year ended December 31, 2005 were \$0.3 million and \$1.2 million, respectively. Management believes that these arrangements were entered into on market terms.

Moscow City Telephone Network (MGTS)

We have line rental agreements with MGTS, a subsidiary of Sistema. We also rent a cable plant from MGTS for the installation of fiber optic cable, as well as buildings for administrative offices and premises for switching and base station equipment. Rental expenses for the period ended March 31, 2006 and the year ended December 31, 2005 amounted to \$1.9 million and \$8.3 million, respectively. Management believes that all these transactions were entered into on market terms.

MTU-Inform

We have interconnection and line rental agreements with MTU-Inform, a subsidiary of Sistema. Interconnection and rental expenses for the period ended March 31, 2006 and the year ended December 31, 2005 were \$8.5 million and \$24.0 million, respectively. Management believes that these agreements were entered into on market terms.

Comstar UTS

We have interconnection and line rental agreements with Comstar UTS, a subsidiary of Sistema. Amounts expensed under these arrangements for the period ended March 31, 2006 and the year ended December 31, 2005 were \$1.4 million and \$4.7 million, respectively. Management believes that these arrangements were entered into on market terms.

Invest-Svyaz-Holding

We lease network equipment from Invest-Svyaz Holding, a wholly-owned subsidiary of Sistema. These leases are classified as capital leases. The interest rate implicit in these leases varies from 14% to 44%, which management believes are market terms. The following table summarizes the future minimum lease payments under capital leases to Invest-Svyaz Holding together with the present value of the net minimum lease payments as of December 31, 2005:

	<u>Amount</u> <u>(in thousands)</u>
Payments due in the year ended December 31,	
2006	\$3,233
2007	653
2008	—
Total minimum lease payments (undiscounted)	3,886
Less amount representing interest	(540)
Present value of net minimum lease payments	3,346
Less current portion of lease obligations	(2,740)
Non-current portion of lease obligations	<u>\$606</u>

Principal and interest paid to Invest-Svyaz Holding for the period ended March 31, 2006 amounted to \$1.8 million and \$0.3 million, respectively, and to \$6.1 million and \$2.0 million, respectively, for the year ended December 31, 2005. Management believes that these agreements were entered into on market terms.

We have also guaranteed debt of Invest-Svyaz Holding in the amount of \$3.5 million to a third party, which is used by Invest-Svyaz Holding primarily to finance its leases to us and expired in May 2006. The issued guarantees are recorded at fair value in the audited consolidated balance sheet.

Strom Telecom

During 2005, we entered into a number of agreements with Strom Telecom, a subsidiary of Sistema, for a total amount of up to \$166.5 million. Pursuant to these contracts, we purchased billing systems and communication software support systems for approximately \$16.0 million and \$179.2 million for the period ended March 31, 2006 and the year ended December 31, 2005, respectively. Advances paid under these agreements and outstanding as of March 31, 2006 and December 31, 2005 amounted to \$9.6 million and \$45.7 million, respectively. Management believes that these agreements were entered into on market terms.

MTT

In 2005, we entered into interconnection and line rental agreements with MTT, a subsidiary of Sistema. Amounts expensed under these agreements for the period ended March 31, 2006 and the year ended December 31, 2005 amounted to \$12.6 million and \$41.1 million, respectively. Management believes that these agreements were entered into on market terms.

East-West United Bank S.A.

In 2004, we entered into a deposit agreement with East-West United Bank S.A., a subsidiary of Sistema, for a total amount of \$23.1 million. In 2005, the agreement was amended to change the maturity date from April 2005 to February 2006. As of March 31, 2006, the deposit matured.

MTS Belarus

As of December 31, 2005, we provided MTS Belarus with a total of \$41.3 million in loans. These loans bear interest of 3.00% to 11.00% per annum. In addition, we guarantee the debt of MTS Belarus in the amount of \$9.0 million to Citibank International plc, which expires by April 2007. The issued guarantees are recorded at fair value in the audited consolidated balance sheet. See Note 22 to our audited consolidated financial statements.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

8.A.1-6. See Item 18.

8.A.7. Litigation

On June 7, 2004, the General Prosecutor of Ukraine filed a claim against us and others in the Kiev Commercial Court seeking to unwind the sale by Ukrtelecom of its 51% stake in UMC to us. The complaint also sought an order prohibiting us from alienating 51% of our stake in UMC until the claim was resolved on the merits and on August 12, 2004, the Kiev Commercial Court rejected the General Prosecutor's claim. On August 26, 2004, the General Prosecutor requested the Constitutional Court of Ukraine to review whether certain provisions of the Ukrainian privatization law limiting the alienation of assets by privatized companies were applicable to the sale by Ukrtelecom of UMC shares to us. For a description of this lawsuit, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—If our purchase of UMC is found to have violated Ukrainian law or the purchase is unwound, our business, prospects and results of operations would be materially adversely affected."

In 2005, we acquired a 51.0% stake in Tarino for \$150.0 million in cash. Tarino was at that time the indirect owner, through its wholly-owned subsidiaries, of Bitel, a Kyrgyz company holding a GSM 900/1800 license for the entire territory of Kyrgyzstan. In December 2005, Bitel's offices were seized by an unidentified group of people, possibly in connection with a Kyrgyz Supreme Court ruling in favor of a third party recognizing their rights to the shares of Bitel. As a result of these events, we currently do not exercise operational control over Bitel and are in the process of defending our ownership stake in the company in the courts of the Kyrgyz Republic, British Virgin Islands and United Kingdom. For additional information, see Note 20 to our audited consolidated financial statements.

Tax Audit

In March 2005, the Russian tax authorities audited our compliance with tax legislation for the year ended December 31, 2002. Based on the results of this audit, the Russian tax authorities assessed that approximately 372.2 million rubles (approximately \$12.9 million as at December 31, 2005) of additional taxes, penalties and fines were payable by us. We have filed a petition with the Moscow Arbitration Court seeking the partial invalidation of the tax assessment. The amount of disputed taxes and fines equals 281.5 million rubles (approximately \$9.8 million as at December 31, 2005). Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year. As of December 31, 2005, our tax declarations for the preceding three fiscal years were subject to further review.

In Ukraine, there are regulatory uncertainties related to the VAT treatment of mandatory contributions payable to the Ukrainian State Pension Fund, or Pension Fund. As a result, the additional VAT charges (including penalties) calculated on UMC's contributions to the Pension Fund could be up to \$38.1 million as of December 31, 2005, which includes a \$13.5 million claim by the Ukrainian tax authorities during a recent audit of UMC. Although UMC initiated a claim against the tax authorities in 2005 and received favorable rulings in the Kyiv City Commercial Court and the Kyiv City Commercial

Court of Appeal, we expect that the tax authorities will appeal the rulings. We believe that paying the VAT charges is not in line with industry practice and intend to defend our position. As of December 31, 2005, no VAT amount was paid to the Ukrainian tax authorities nor did we accrue the VAT amount in our consolidated financial statements.

8.A.8. Dividend Distribution Policy

On June 26, 2004, our shareholders approved cash dividends in the amount \$220.0 million (including dividends on treasury shares of \$1.1 million), which have been fully paid. On June 22, 2005, our shareholders approved cash dividends in the amount \$402.6 million (including dividends on treasury shares of \$1.5 million), which have also been fully paid. In June 2006, our shareholders approved annual cash dividends in the amount of \$561.6 million (including dividends on treasury shares of \$1.5 million) for the year 2005, payable in 2006. We expect that our shareholders will continue to approve annual cash dividends, although we do not have a formal dividend policy.

Annual dividend payments, if any, must be recommended by our Board of Directors and approved by our shareholders. We anticipate that any dividends we may pay in the future on the shares represented by the ADSs will be declared and paid to the depositary in rubles and will be converted into U.S. dollars by the depositary and distributed to holders of ADSs, net of the depositary's fees and expenses. Accordingly, the value of dividends received by holders of ADSs will be subject to fluctuations in the exchange rate between the ruble and the dollar.

B. Significant Changes

Syndicated Loan

On April 21, 2006, we entered into a syndicated loan facility with the following international financial institutions: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bayerische Landesbank, HSBC Bank plc, ING Bank N.V., Raiffeisen Zentralbank Oesterreich AG, Sumitomo Mitsui Banking Corporation Europe Limited. The facility allows us to borrow up to \$1,330.0 million and is available in two tranches of \$630.0 million and \$700.0 million. We expect to use the proceeds for general corporate purposes, including acquisitions and refinancing of existing indebtedness. The first tranche bears interest of LIBOR+0.80% per annum and matures in three years. The second bears interest of LIBOR+1.00% per annum within the first three years and LIBOR+1.15% per annum thereafter and is repayable in 13 equal quarterly installments, commencing in April, 2008. The second tranche matures in April 2011. The loan is subject to certain restrictive covenants, including, *inter alia*, certain financial ratios, limitations on dispositions of assets and limitations on transactions with associates.

HSBC Bank plc Loan

In January 2006, we entered into a credit facility agreement with HSBC Bank plc. The facility allowed borrowing of up to \$100.0 million. We expect to use the proceeds for general corporate purposes. The loan bore interest of LIBOR+0.75% per annum. An arrangement fee in the amount of \$0.6 million was paid in accordance with the agreement. The facility was repaid in April 2006.

Merger

On March 31, 2006, the Russian registration authority approved the merger of nine of our wholly-owned subsidiaries in Russia into us. These subsidiaries are Gorizont RT, TAIF Telcom, MTS-RTK, Sibchallenge, TSS, BM Telekom, FECS—900, SCS-900 and Uraltel. The merger was completed in line with our strategy to consolidate administratively all of our majority-owned subsidiaries and improve management efficiency.

New President and CEO

On June 14, 2006, the Extraordinary General Meeting of Shareholders terminated the powers of the preceding President and CEO, Mr. Vassily Sidorov, and elected Mr. Leonid Melamed as our new President and CEO. Mr. Melamed has been our acting President and CEO since April 14, 2006.

Renewed Brand

On May 10, 2006, Sistema introduced a universal brand featuring a new egg-shaped logo for each of the telecommunications companies operating within the Sistema Telecom group, including us. We believe that our new brand symbolizes leadership and a dynamic and innovative approach to doing business. The re-branding reflects a shift in our marketing strategy with a renewed focus on the simplification of our communications to the general public. One of the goals through our re-branding efforts is to create a simple set of tariff plans with clear advantages over our competitors and easy-to-understand descriptions of the wide range of our services and product offerings. In addition, we aim to simplify the purchasing experience for our customers by creating a universal format for our sales offices, transforming them into visually appealing, practical and convenient venues where buyers can obtain product information and test our latest products and services.

Under this universal brand, our subscribers will have access to a wide range of telecommunications products and services, including Internet access, mobile and fixed-line telephones, single billing and a single interface for all of the subscriber's telecommunications needs. In addition, we expect our re-branding efforts to increase our recognition among existing and potential clients, promote cross-sales of the companies using the brand and enhance subscriber loyalty.

Item 9. Offer and Listing Details

(Only Items 9.A.4 and 9.C are applicable.)

A.4. Market Price Information

The following table sets forth the annual high and low market prices per ADS on the New York Stock Exchange for each of the fiscal years ended December 31, 2001, 2002, 2003, 2004 and 2005; the high and low market prices per ADS for each full financial quarter during the fiscal years ended December 31, 2004 and 2005; and the high and low market prices per ADS for each of the most recent six months. The table also sets forth the high and low market prices per share of common stock for the first full financial quarter and each of the most recent six months.

	<u>Common Stock High</u>	<u>Common Stock Low</u>	<u>ADS High</u>	<u>ADS Low</u>
May 2006	188.5 RUR	149.0 RUR	\$35.14	\$28.65
April 2006	189.8 RUR	179.0 RUR	\$34.15	\$32.25
March 2006	209.5 RUR	184.5 RUR	\$38.96	\$33.03
February 2006	206.9 RUR	186.5 RUR	\$37.90	\$35.10
January 2006	200.9 RUR	190.0 RUR	\$38.14	\$35.00
December 2005	206.6 RUR	193.1 RUR	\$35.86	\$34.10
First Quarter 2006	209.5 RUR	184.5 RUR	\$38.96	\$33.03
Fourth Quarter 2005	228.5 RUR	190.8 RUR	\$40.15	\$34.10
Third Quarter 2005	228.7 RUR	194.0 RUR	\$41.19	\$33.89
Second Quarter 2005	208.0 RUR	179.0 RUR	\$37.51	\$31.15
First Quarter 2005 ⁽¹⁾	222.0 RUR	182.0 RUR	\$40.20	\$32.02
Fourth Quarter 2004			\$155.90	\$117.35
Third Quarter 2004			\$149.75	\$108.20
Second Quarter 2004			\$141.15	\$98.40
First Quarter 2004			\$131.70	\$83.00
2005 ⁽¹⁾	228.7 RUR	179.0 RUR	\$41.19	\$31.15
2004			\$155.90	\$83.00
2003			\$87.50	\$35.40
2002			\$41.50	\$23.75
2001			\$38.75	\$22.41

⁽¹⁾ Effective January 3, 2005, the ADS ratio was changed from 1 ADS per 20 ordinary shares to 1 ADS per 5 ordinary shares, a 1:4 ADS split.

C. Markets

Our common stock has been listed on the Moscow Interbank Currency Exchange since December 2003. American Depositary Shares, each representing five of our common stock, have been listed on the New York Stock Exchange under the symbol "MBT" since June 30, 2000. Our ADSs are also traded on the London Stock Exchange under the symbols "MOBD," and on the Frankfurt Stock Exchange under the symbol "MKY." Our U.S. dollar-denominated notes are listed on the Luxembourg Stock Exchange.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Charter and Certain Requirements of Russian Legislation

We describe below material provisions of our charter in effect on the date of this document and certain requirements of Russian legislation. In addition to this description, we urge you to review our charter to learn its complete terms.

Our Purpose

Article 2.1 of our charter provides that our principal purpose is to obtain profits through the planning, marketing, and operation of a radiotelephone mobile cellular network in the Russian Federation.

We are registered with the Ministry of Taxes and Duties of the Russian Federation under the state registration number 1027700149124.

General Matters

Pursuant to our charter, we have the right to issue registered common stock, preferred stock, and other securities provided for by legal acts of the Russian Federation with respect to securities. Our capital stock currently consists of 1,993,326,138 common shares, each with a nominal value of 0.1 rubles, all of which are fully paid, issued and outstanding. Under Russian legislation charter capital refers to the aggregate nominal value of the issued and outstanding shares. We are also authorized to issue an additional 103,649,654 common shares with a nominal value of 0.1 rubles each. No preferred shares are authorized or outstanding. Preferred stock may only be issued if corresponding amendments have been made to our charter pursuant to a resolution of the general meeting of shareholders. We have issued only common stock. The Federal Law on Joint Stock Companies requires us to dispose of any of our shares that we acquire within one year of their acquisition or, failing that, reduce our charter capital. We refer to such shares as treasury shares for the purposes hereof. Russian legislation does not allow for the voting of such treasury shares. As of June 14, 2006, we had more than a 1000 shareholders for purposes of the Federal Law on Joint Stock Companies.

Rights Attaching to Shares

Holders of our common stock have the right to vote at all shareholders' meetings. As required by the Federal Law on Joint Stock Companies and our charter, all shares of our common stock have the same nominal value and grant identical rights to their holders. Each fully paid share of common stock, except for treasury shares, gives its holder the right to:

- freely transfer the shares without consent of other shareholders;
- receive dividends;
- participate in shareholders' meetings and vote on all matters within shareholders' competence;
- transfer voting rights to other Company's shareholders or a representative on the basis of a power of attorney;
- participate in the election and dismissal of members of the board of directors and review commission;
- if holding, alone or with other holders, 2% or more of the voting stock, within 105 days after the end of our fiscal year, make proposals for the agenda of the annual shareholders' meeting and nominate candidates to the board of directors, the counting commission, the review commission and for company president;

- if holding, alone or with other holders, 10% or more of the voting stock, demand from the board of directors the calling of an extraordinary shareholders' meeting or an unscheduled audit by the review commission or an independent auditor;
- demand, under the following circumstances, the repurchase by us of all or some of the shares owned by it, as long as such holder voted against or did not participate in the voting on the decision approving the following:
 - any reorganization;
 - the conclusion of a major transaction, as defined under Russian law; and
 - any amendment of our charter or approval of a restated version of our charter in a manner that restricts the holder's rights;
- upon liquidation, receive a proportionate amount of our property after our obligations are fulfilled;
- have free access to certain company documents, receive copies for a reasonable fee and, if holding alone or with other holders, 25% or more of the voting stock, have access to accounting documents; and
- exercise other rights of a shareholder provided by our charter, Russian legislation and decisions of shareholders' meeting approved in accordance with its competence.

Preemptive Rights

The Federal Law on Joint Stock Companies and our charter provide existing shareholders with a preemptive right to purchase shares or securities convertible into shares during an open subscription in the amount proportionate to their existing shareholdings. In addition, the Federal Law on Joint Stock Companies provides shareholders with a preemptive right to purchase shares or securities convertible into shares, in an amount proportionate to their existing shareholdings, during a closed subscription if the shareholders voted against or did not participate in the voting on the decision approving such subscription. The preemptive right does not apply to a closed subscription to the existing shareholders provided that such shareholders may each acquire a whole number of shares or securities convertible into shares being placed in an amount proportion to their existing shareholdings. We must provide shareholders with written notice of the proposed sale of shares at least 45 days prior to the offering, during which time shareholders may exercise their preemptive rights.

Dividends

The Federal Law on Joint Stock Companies and our charter set forth the procedure for determining the quarterly and annual dividends that we may distribute to our shareholders. We may declare dividends based on our first quarter, six month, nine month or annual results. Dividends are recommended to a shareholders' meeting by a majority vote of the board of directors and approved by the shareholders' meeting by a majority vote. A decision on quarterly, six month and nine month dividends must be taken within three months of the end of the respective quarter at the shareholders' meeting; and a decision on annual dividends must be taken at the annual general shareholders' meeting. The dividend approved at the shareholders' meeting may not be more than the amount recommended by the board of directors. Dividends to be paid based on the shareholders' decision shall be paid up until the end of the year on which the decision to make the payment has been adopted, unless the shareholders' decision provides for a lesser term. Dividends are distributed to holders of our shares as of the record date for the shareholders' meeting approving the dividends. See "—General Shareholders' Meetings—Notice and Participation" below.

The Federal Law on Joint Stock Companies allows dividends to be declared only out of net profits calculated under Russian accounting standards and as long as the following conditions have been met:

- the charter capital of the company has been paid in full;
- the value of the company's net assets on the date of the adoption of the decision to pay dividends is not less (and would not become less as a result of the proposed dividend payment) than the sum of the company's charter capital, the company's reserve fund and the difference between the liquidation value and the par value of the issued and outstanding preferred stock of the company;
- the company has repurchased all shares from shareholders having the right to demand repurchase; and
- the company is not, and would not become, insolvent as the result of the proposed dividend payment.

Distributions to Shareholders on Liquidation

Under Russian legislation, liquidation of a company results in its termination without the transfer of rights and obligations to other persons as legal successors. The Federal Law on Joint Stock Companies and our charter allows us to be liquidated:

- by a three-quarters majority vote of a shareholders' meeting; or
- by a court order.

Following a decision to liquidate us, the right to manage our affairs would pass to a liquidation commission appointed by shareholders' meeting. In the event of an involuntary liquidation, the court may assign the duty to liquidate the company to its shareholders. Creditors may file claims within a period to be determined by the liquidation commission, but such period must not be less than two months from the date of publication of notice of liquidation by the liquidation commission.

The Civil Code of the Russian Federation gives creditors the following order of priority during liquidation:

- individuals owed compensation for injuries, deaths or moral damages;
- employees;
- federal and local governmental entities claiming taxes and similar payments to the federal and local budgets and to non-budgetary funds; and
- other creditors in accordance with Russian legislation.
- Claims of creditors in obligations secured by a pledge of the company's property ("secured claims") are satisfied out of the proceeds of sale of the pledged property prior to claims of any other creditors except for the creditors of the first and second priorities described above, provided that claims of such creditors arose before the pledge agreements in respect of the company's property were made. To the extent that the proceeds of sale of the pledged property are not sufficient to satisfy secured claims, the latter are satisfied simultaneously with claims of the fourth priority creditors as described above.
- The Federal Law on Insolvency (Bankruptcy), however, provides for a different order of priority for creditors' claims in the event of bankruptcy.

The remaining assets of a company are distributed among shareholders in the following order of priority:

- payments to repurchase shares from shareholders having the right to demand repurchase;
- payments of declared but unpaid dividends on preferred shares and the liquidation value of the preferred shares determined by the company's charter, if any; and
- payments to holders of common and preferred shares.

Liability of Shareholders

The Civil Code of the Russian Federation and the Federal Law on Joint Stock Companies generally provide that shareholders in a Russian joint stock company are not liable for the obligations of a joint stock company and bear only the risk of loss of their investments. This may not be the case, however, when one person or entity is capable of determining decisions made by another person or entity. The person or entity capable of determining such decisions is called an "effective parent." The person or entity whose decisions are capable of being so determined is called an "effective subsidiary." The effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

- this decision-making capability is provided for in the charter of the effective subsidiary or in a contract between such persons; and
- the effective parent gives binding instructions to the effective subsidiary.

Thus, a shareholder of an effective parent is not itself liable for the debts of the effective parent's effective subsidiary, unless that shareholder is itself an effective parent of the effective parent. Accordingly, a shareholder will not be personally liable for our debts or those of our effective subsidiaries unless such shareholder controls our business and the conditions set forth above are met.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or omission of an effective parent only when the effective parent has used the right to give binding instructions, knowing that the consequence of carrying out this action would be insolvency of this effective subsidiary. This is the case no matter how the effective parent's capability to determine decisions of the effective subsidiary arises, such as through ownership of voting securities or by contract. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent that caused the effective subsidiary to take any action or fail to take any action knowing that such action or failure to take action would result in losses.

Alteration of Capital

Charter Capital Increase

We may increase our charter capital by

- issuing new shares; or
- increasing the nominal value of previously issued shares.

A decision on any issuance of shares or securities convertible into shares by closed subscription, or an issuance by open subscription of common shares or securities convertible into common shares constituting 25% or more of the number of issued common shares, requires a three-quarters majority vote of a shareholders' meeting. Otherwise, a decision to increase the charter capital by increasing the nominal value of issued shares requires a majority vote of a shareholders' meeting. In certain circumstances

provided in our charter, a decision to increase the charter capital may be taken by our board of directors. In addition, the issuance of shares above the number provided in our charter necessitates a charter amendment, which requires a three-quarters affirmative vote of a shareholders' meeting.

The Federal Law on Joint Stock Companies requires that the value of newly issued shares be determined by the board of directors based on their market value but not less than their nominal value, except in limited circumstances where (i) existing shareholders exercise a preemptive right to purchase shares at not less than 90% of the price paid by third parties, or (ii) fees up to 10% are paid to intermediaries, in which case the fees paid may be deducted from the price. The price may not be set at less than the nominal value of the shares. The board of directors shall value any in-kind contributions for the new shares, based on the appraisal report of an independent appraiser.

Russian securities regulations set out detailed procedures for the issuance and registration of shares of a joint stock company. These procedures require:

- prior registration of a share issuance with the Federal Service for the Financial Markets;
- public disclosure of information relating to the share issuance; and
- following the placement of the shares, registration and public disclosure of the results of the placement of shares.

Charter Capital Decrease; Share Buy-Backs

The Federal Law on Joint Stock Companies does not allow a company to reduce its charter capital below the minimum charter capital required by law, which is 100,000 rubles for an open joint stock company. Our charter requires that any decision to reduce our charter capital, whether through the repurchase and cancellation of shares or a reduction in the nominal value of the shares, be made by a majority vote of a shareholders' meeting. Additionally, within 30 days of a decision to reduce our charter capital, we must issue a written notice to our creditors and publish this decision. Our creditors would then have the right to demand, within 30 days of such notice or publication or receipt of our notice, early termination of relevant obligations by us, as well as compensation for damages.

The Federal Law on Joint Stock Companies and our charter allow our shareholders or the board of directors to authorize the repurchase of up to 10% of our shares in exchange for cash. The repurchased shares pursuant to a board decision must be resold at the market price within one year of their repurchase or, failing that, the shareholders must decide to cancel such shares and decrease the charter capital. Repurchased shares do not bear voting rights.

A shares repurchase pursuant to a decision of our shareholders' meeting to decrease the overall number of shares are cancelled at their redemption.

The Federal Law on Joint Stock Companies allows us to repurchase our shares only if, at the time of repurchase:

- our charter capital is paid in full;
- we are not and would not become, as a result of the repurchase, insolvent;
- the value of our net assets at the time of repurchase of our shares is not less (and would not become less, as a result of the proposed repurchase) than the sum of our charter capital, the reserve fund and the difference between the liquidation value and par value of our issued and outstanding preferred shares; and
- we have repurchased all shares from shareholders having the right to demand repurchase of their shares in accordance with Russian law, as described immediately below.

The Federal Law on Joint Stock Companies and our charter provide that our shareholders may demand repurchase of all or some of their shares as long as the shareholder demanding repurchase voted against or did not participate in the voting on the decision approving any of the following actions:

- reorganization;
- conclusion of a major transaction, as defined under Russian law; or
- amendment of our charter or approval of a restated version of our charter in a manner which restricts shareholders' rights.

We may spend up to 10% of our net assets calculated under Russian accounting standards on the date of the adoption of the decision which gives rise to a share redemption demanded by the shareholders. If the value of shares in respect of which shareholders have exercised their right to demand repurchase exceeds 10% of our net assets, we will repurchase shares from each such shareholder on a pro-rata basis. Repurchase of the shares is at a price agreed on by the board of directors, but shall not be less than the market price determined by an independent appraiser.

Registration and Transfer of Shares

Russian legislation requires that a joint stock company maintain a register of its shareholders. Ownership of our registered shares is evidenced solely by entries made in such register. Any of our shareholders may obtain an extract from our register certifying the number of shares that such shareholder holds. Since May 10, 2000, Registrar NIKoil OJSC has maintained our register of shareholders.

The purchase, sale or other transfer of shares is accomplished through the registration of the transfer in the shareholder register, or the registration of the transfer with a depository if shares are held by a depository. The registrar or depository may not require any documents in addition to those required by Russian legislation in order to transfer shares in the register. Refusal to register the shares in the name of the transferee or, upon request of the beneficial holder, in the name of a nominee holder, is not allowed, except in certain instances provided for by Russian legislation, and may be challenged in court.

Reserve Fund

Russian legislation requires that each joint stock company establish a reserve fund to be used only to cover the company's losses, redeem the company's bonds and repurchase the company's shares in cases when other funds are not available. Our charter provides for a reserve fund of 15% of our charter capital, funded through mandatory annual transfers of at least 5% of our net profits until the reserve fund has reached the 15% requirement.

Disclosure of Information

Russian securities regulations require us to make the following periodic public disclosures and filings:

- filing quarterly reports with the Federal Service for the Financial Markets, or the FSFM, containing information about us, our shareholders and depository, the structure of our management bodies, the members of the board of directors, our branches and representative offices, our shares, bank accounts and auditors, important developments during the reporting quarter, and other information about our financial and business activity;
- filing with the FSFM and publishing in the FSFM's periodical print publication, as well as in other media, any information concerning material facts and changes in our financial and business activity, including our reorganization, certain changes in the amount of our assets, decisions on share issuances, certain changes in ownership and shareholding as well as shareholder resolutions;

- disclosing information on various stages of share placement, issuance and registration through publication of certain data as required by the securities regulations;
- disclosing our annual report and annual financial statements prepared in accordance with Russian accounting standards;
- filing with the FSFM on a quarterly basis a list of our affiliated companies and individuals; and
- other information as required by applicable Russian securities legislation.

General Shareholders' Meetings

Procedure

The powers of a shareholders' meeting are set forth in the Federal Law on Joint Stock Companies and in our charter. A shareholders' meeting may not decide on issues that are not included in the list of its competence by the Federal Law on Joint Stock Companies and our charter. Among the issues which the shareholders have the exclusive power to decide are:

- charter amendments;
- reorganization or liquidation;
- election and removal of members of the board of directors;
- determination of the amount of compensation for members of the board of directors;
- appointment and removal of the company's president;
- determination of the number, nominal value, class/type of authorized shares and the rights granted by such shares;
- changes in our charter capital;
- appointment and removal of our external auditor and of the members of our review commission and counting commission;
- approval of certain interested party transactions and major transactions;
- decision on our participation in holding companies, commercial or industrial groups, or other associations of commercial entities;
- approval of certain internal documents and corporate records;
- distribution of profits and losses, including approval of dividends;
- redemption by the company of issued shares in cases provided by the Federal Law on Joint Stock Companies; and
- other issues, as provided for by the Federal Law on Joint Stock Companies and our charter.

Voting at a shareholders' meeting is generally based on the principle of one vote per share of common stock, with the exception of the election of the board of directors, which is done through cumulative voting. Decisions are generally passed by a majority vote of the voting shares present at a shareholders' meeting. However, Russian law requires a three-quarters majority vote of the voting shares present at a shareholders' meeting to approve the following:

- charter amendments;
- reorganization or liquidation;

- major transactions involving assets in excess of 50% of the balance sheet value of the company's assets;
- determination of the number, nominal value, and category (type) of authorized shares and the rights granted by such shares;
- repurchase by the company of its issued shares;
- any issuance of shares or securities convertible into shares of common stock by closed subscription; or
- issuance by open subscription of shares of common stock or securities convertible into common stock, in each case, constituting 25% or more of the number of issued and outstanding shares of common stock.

The quorum requirement for our shareholders' meetings is met if holders of shares (or their representatives) accounting for more than 50% of the issued voting shares are present. If the 50% quorum requirement is not met, another shareholders' meeting with the same agenda may (and, in case of an annual shareholders' meeting must) be scheduled and the quorum requirement is satisfied if holders of shares (or their representatives) accounting for at least 30% of the issued voting shares are present at that meeting.

The annual shareholders' meeting must be convened by the board of directors between March 1 and June 30 of each year, and the agenda must include the following items:

- election of the members of the board of directors;
- election of the president of the company and the counting commission, if their terms are expiring;
- approval of the annual report and the annual financial statements, including the balance sheet and profit and loss statement;
- approval of distribution of profits, including approval of dividends, and losses, if any;
- appointment of an independent auditor; and
- appointment of the members of the review commission.

A shareholder or group of shareholders owning in the aggregate at least 2% of the issued voting shares may introduce proposals for the agenda of the annual shareholders' meeting and may nominate candidates for the board of directors, counting commission, review commission and company president. Any agenda proposals or nominations must be provided to the company no later than 105 calendar days after the preceding financial year end.

Extraordinary shareholders' meetings may be called by the board of directors on its own initiative, or at the request of the review commission, the independent auditor or a shareholder or group of shareholders owning in the aggregate at least 10% of the issued voting shares as of the date of the request. The decision by the board of directors to call or reject the call for an extraordinary shareholders' meeting shall be sent to the party that requested the meeting within three days after such a decision was made.

A general meeting of shareholders may be held in a form of a meeting or by absentee ballot. The form of a meeting contemplates the adoption of resolutions by the general meeting of shareholders through the attendance of the shareholders or their authorized representatives for the purpose of discussing and voting on issues of the agenda, provided that if a ballot is mailed to shareholders for participation at a meeting convened in such form, the shareholders may complete and mail the ballot back to the company without personally attending the meeting. A general meeting of the shareholders by absentee ballot contemplates the determination of collecting shareholders' opinions on issues of the agenda by means of a written poll.

The following issues cannot be decided by a shareholders' meeting by absentee ballot:

- election of the members of the board of directors;
- election of the review commission;
- approval of a company's independent auditor; and
- approval of the annual report, the annual financial statements, including balance sheet, profit and loss statement, and any distribution of profits, including approval of annual dividends and losses, if any.

Notice and Participation

All shareholders entitled to participate in a general shareholders' meeting must be notified of the meeting, whether the meeting is to be held in the form of a meeting or by absentee ballot, no less than 30 days prior to the date of the meeting, and such notification shall specify the agenda for the meeting. However, if it is an extraordinary shareholders' meeting to elect the board of directors, shareholders must be notified at least 50 days prior to the date of the meeting. Only those items that were set out in the agenda to shareholders may be voted upon at a general shareholders' meeting.

If a nominal holder of the shares registers in the register of shareholders, then a notification of the shareholders' meeting shall be sent to the nominal holder. The nominal holder must notify its clients in accordance with Russian legislation or an agreement with the client.

The list of shareholders entitled to participate in a general shareholders' meeting is to be compiled on the basis of data in our shareholders register on the date established by the board of directors, which date may neither be earlier than the date of adoption of the board resolution to hold a general shareholders' meeting nor more than 50 days before the date of the meeting (or, in the case of an extraordinary shareholders' meeting to elect the board of directors, not later than 65 days before the date of the meeting).

The right to participate in a general meeting of shareholders may be exercised by a shareholder as follows:

- by personally participating in the discussion of agenda items and voting thereon;
- by sending an authorized representative to participate in the discussion of agenda items and to vote thereon;
- by submitting a written ballot reflecting the shareholders' voting on the agenda items; or
- by delegating the right to submit such written ballot to an authorized representative.

Board of Directors

Our charter provides that our entire board of directors is up for election at each annual general shareholders' meeting. Our board of directors is elected through cumulative voting. Under cumulative voting, each shareholder may cast an aggregate number of votes equal to the number of shares held by such shareholder multiplied by the number of persons to be elected to our board of directors, and the shareholder may give all such votes to one candidate or spread them between two or more candidates. Before the expiration of their term, the directors may be removed as a group at any time without cause by a majority vote of a shareholders' meeting.

The Federal Law on Joint Stock Companies requires at least a five-member board of directors for all joint stock companies, at least a seven-member board of directors for a joint stock company with more than 1,000 holders of voting shares, and at least a nine-member board of directors for a joint stock

company with more than 10,000 holders of voting shares. Only natural persons (as opposed to legal entities) are entitled to sit on the board. Members of the board of directors are not required to be shareholders of the company. The actual number of directors is determined by the company's charter or a decision of the shareholders' meeting. Our charter provides that our board of directors consists of seven members, which number may be increased to nine pursuant to a decision of the general meeting of shareholders. Currently, our board of directors consists of seven members.

The Federal Law on Joint Stock Companies prohibits a board of directors from acting on issues that fall within the exclusive competence of the general shareholders' meeting. Our board of directors has the power to perform the general management of the company, and to decide, among others, the following issues:

- determination of our business priorities;
- convening annual and extraordinary shareholders' meetings, except in certain circumstances specified in the Federal Law on Joint Stock Companies;
- approval of the agenda for the shareholders' meeting and determination of the record date for shareholders entitled to participate in a shareholders' meeting;
- placement of our bonds and other securities in cases specified in the Federal Law on Joint Stock Companies;
- determination of the price of our property and of our securities to be placed or repurchased, as provided for by the Federal Law on Joint Stock Companies;
- repurchase of our shares, bonds, and other securities in certain cases provided for by the Federal Law on Joint Stock Companies;
- recommendations on the amount of the dividend and the payment procedure thereof;
- recommendations on the amount of remuneration and compensation to be paid to the members of our review commission and on the fees payable for the services of an independent auditor;
- the use of our reserve fund and other funds;
- approval of our internal documents, except for those documents whose approval falls within the competence of our shareholders or the president;
- the creation and liquidation of branches and representative offices;
- approval of major and interested party transactions in certain cases provided for by the Federal Law on Joint Stock Companies;
- increasing our charter capital by issuing additional shares within the limits of the authorized charter capital, except in certain circumstances specified in our charter;
- approval of our share registrar and the terms of the agreement with it; and
- other issues, as provided for by the Federal Law on Joint Stock Companies and our charter.

Our charter generally requires a majority vote of the directors present for an action to pass, with the exception of actions for which Russian legislation requires a unanimous vote or a majority vote of the disinterested and independent directors, as described therein. A board meeting is considered duly assembled and legally competent to act when a majority of elected directors is present.

The special Regulation “About the Board of Directors of OJSC Mobile TeleSystems” was approved by the annual shareholders’ meeting on June 23, 2006. In accordance with clause 1.8 of the Regulation, the members of the board of directors have the right to:

- receive information regarding our operations;
- propose issues to be discussed by the board of directors;
- review the minutes of the board of directors meetings;
- express their own point of view during the board of directors meetings;
- request to include in the minutes of the meetings their personal opinion concerning issues on the agenda and decisions made with respect thereto; and
- receive a remuneration and/or compensation of expenses related to the execution of their duties as members of the board of directors in accordance with decisions of the general shareholders’ meeting.

In accordance with clause 1.9 of the Regulation, the members of the board of directors must:

- act in our interests;
- execute their duties in a confident and scrupulous manner;
- act within their rights and in accordance with the purposes of the board of directors;
- not distribute confidential information concerning us and protect such information from unlawful and improper use and publishing, and not use such confidential information in their own or third parties’ commercial purposes;
- participate in the work of the board of directors;
- participate in the voting process during the board of directors meetings;
- complete the tasks assigned by the board of directors;
- evaluate the risks and consequences of the decisions made;
- inform us on a timely basis about their participation in the management of other companies and changes in such participation;
- refrain from voting on issues of personal interest;
- inform the board of directors about future deals in which they may have a personal interest;
- disclose information about the holding, disposal or acquisition of our shares and other securities; and
- refrain from actions, which could lead to a conflict between their personal and our interests.

Interested Party Transactions

Under the Federal Law on Joint Stock Companies, certain transactions defined as “interested party transactions” require approval by disinterested directors or shareholders of the company. “Interested party transactions” include transactions involving a member of the board of directors or member of any executive body of the company (including the company’s chief executive office and/or the company’s managing organization), any person that owns, together with any affiliates, at least 20% of a company’s issued voting shares or any person who is able to direct the actions of the company, if that person and/or that person’s spouse, parents, children, adoptive parents or children, brothers or sisters or affiliates, is/are:

- a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- the owner of at least 20% of the issued shares of a legal entity that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or
- a member of the board of directors or a member of any management body of a company that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary, or a member of the board of directors or of any management body of a management organization of such a company.

The Federal Law on Joint Stock Companies requires that an interested party transaction by a company with more than 1,000 shareholders be approved by a majority vote of the independent directors of the company who are not interested in the transaction. For purposes of this rule, an “independent director” is a person who is not, and within the year preceding the decision to approve the transaction was not, a general director/president, a member of any executive body or an affiliate of the company, or a member of the board of directors or any management body of the company’s management organization. Additionally, such person’s spouse, parents, children, adoptive parents or children, brothers or sisters may not, and within the year preceding the date of the decision to approve the transaction did not, occupy positions in the executive bodies of the company or positions on the board of directors or of any management body of the company’s management organization. For companies with 1,000 or fewer shareholders, an interested party transaction must be adopted by a majority vote of the directors who are not interested in the transaction if the number of these directors is sufficient to constitute a quorum.

Approval by a majority of shareholders who are not interested in the transaction is required if:

- the value of such transaction or a number of interrelated transactions is 2% or more of the balance sheet value of the company’s assets determined under Russian accounting standards;
- the transaction or a number of interrelated transactions involves the issuance, by subscription, of voting shares or securities convertible into voting shares, or a secondary market sale of such securities, in an amount exceeding 2% of the company’s issued voting stock;
- the number of directors who are not interested in the transaction is not sufficient to constitute a quorum; or
- all the members of the board of directors of the company are interested parties, or none of them is an independent director.

Approval by a majority of shareholders who are not interested in the transaction may not be required, until the next annual shareholders’ meeting, for an interested party transaction if such transaction is substantially similar to transactions concluded by the company and the interested party in the ordinary course of business before such party became an interested party with respect to the transaction.

The approval of interested party transactions is not required in the following instances:

- the company has only one shareholder that simultaneously performs the functions of the executive body of the company;
- all shareholders of the company are deemed interested in such transactions;
- the transactions arise from the shareholders executing their preemptive rights to purchase newly issued shares of the company;
- the transactions arise from the repurchase, whether mandatory or not, by the company of its issued shares; or
- the company merges with another company, and the latter owns more than three-fourths of the voting capital stock of the company.

Major Transactions

The Federal Law on Joint Stock Companies defines a “major transaction” as a transaction, or a number of interrelated transactions, involving the acquisition or disposal, or a possibility of disposal (whether directly or indirectly) of property having a value of 25% or more of the balance sheet value of the assets of a company determined under Russian accounting standards, with the exception of transactions conducted in the ordinary course of business or transactions involving the placement of common stock, or securities convertible into common stock. Major transactions involving assets having a value ranging from 25% to 50% of the balance sheet value of the assets of a company require unanimous approval by all members of the board of directors or, failing to receive such approval, a simple majority vote of a shareholders’ meeting. Major transactions involving assets having a value in excess of 50% of the balance sheet value of the assets of a company require a three-quarters majority vote of a shareholders’ meeting.

Change in Control

Anti-takeover Protection

Russian legislation requires that any person that intends, either individually or together with its affiliates, to acquire 30% or more (including, for such purposes, the shares already owned by this person or its affiliates) of the common stock of a company having more than 1,000 holders of common stock, must give at least 30, but no more than 90, days’ prior written notice to the company. Additionally, the Federal Law on Joint Stock Companies provides that a person that has acquired either individually, or together with its affiliates, 30% or more (including, for such purposes, the shares already owned by this person or its affiliates) of the common stock of a company with more than 1,000 holders of common stock, within 30 days of acquiring the shares, must offer to buy all of the common stock or securities that are convertible into common stock at a market price which shall not be lower than the weighted average price of the common stock over the six month period before the date of acquisition. These requirements also apply to any acquisitions of each subsequent 5% or more of the issued common stock of a company by a person already holding (together with its affiliates) over 30% of the issued common stock of such company. If the acquirer fails to observe these requirements, it will be limited to voting only those shares it purchased in compliance with these requirements. The requirement to make a buyout offer of securities may be waived in a company’s charter or by a resolution adopted by a majority vote of a shareholders’ meeting, excluding the votes of the acquirer (and its affiliates). Our charter does not contain a waiver of this requirement.

Effective July 1, 2006, the above requirements of Russian legislation will be modified as follows:

- A person intending to acquire 30% or more of an open joint stock company’s ordinary shares and voting preferred shares (including, for such purposes, shares already owned by such person and its

affiliates), will be entitled to make a public tender offer to other holders of such shares or securities convertible into such shares.

- A person that has acquired 30% or more of the totality of an open joint-stock company's ordinary shares and voting preferred shares (including, for such purposes, shares already owned by such person and its affiliates, but excluding shares that were acquired pursuant to previous voluntary or mandatory offers) will generally be required to make, within 35 days of acquiring such shares, a public tender offer for other shares of the same class and for securities convertible into such shares, at a price determined based on a weighted market price of the shares, or on a price supplied by an independent appraiser if the shares have no or insufficient trading history. From the moment of acquisition of 30% or more of the shares until the moment of delivery of an offer to the security holders, the person making an offer and its affiliates will be able to register for quorum and vote only 30% of the shares of the company (regardless of the size of their actual holdings). These rules are also applied (or reapplied) to acquisitions resulting in a person or a group of persons owning more than 50% and 75% of a company's outstanding shares.
- A person that as a result of such an offer becomes (individually or with its affiliates) the owner of more than 95% of the company's ordinary shares and voting preferred shares, must buy out the remaining shares of the company as well as other securities convertible into such shares upon request of the holders of such shares or other securities, and may require such holders to sell such shares and other securities, at a price based on the prices of the preceding acquisition by the offeror.
- An offer of the kind described in either of the preceding three paragraphs must be accompanied by a bank guarantee of payment. If the company is publicly traded, prior notice of the offer must be filed with the FSFM; otherwise, notice must be filed with the FSFM no later than the date of the offer. The FSFM may order amendments to the terms of the offer (including price) in order to bring them into compliance with the rules.
- Once such an offer has been made, competing offers for the same securities can be made by third parties and, in certain circumstances, acceptance of the initial offer may be withdrawn by the security holders who choose to accept such competing offer. From the making of such an offer until 20 days after its expiry (which period may in certain cases exceed 100 days) the company's shareholders' meeting will have the sole power to make decisions on charter capital increase, issuance of securities, approval of certain major transactions, and on certain other significant matters.

The above rules may be supplemented through FSFM rulemaking, which may result in a wider, narrower or more specific interpretation of these rules by the government and judicial authorities, as well as by market participants.

Approval of the Federal Antimonopoly Service

Pursuant to Russian antimonopoly legislation, transactions involving companies with a combined value of assets under Russian accounting standards that exceeds a certain threshold or companies registered as having more than a 35% share of a certain commodity market, and which would result in a shareholder (or a group of affiliated shareholders) holding more than 20% of the voting capital stock of such company, or in a transfer between such companies of assets or rights to assets, the value of which exceeds a certain amount, must be approved in advance by the Federal Antimonopoly Service.

Disclosure of Ownership

A holder of our common shares is required to disclose information concerning its holdings in the following cases:

- the holder acquires 20% or more of our common shares;
- the holder increases its percentage holding of our common shares to a level in excess of 5% (or an integral multiple thereof) higher than 20% thereof; and
- the holder decreases its percentage holding of our common shares to a level in excess of 5% (or an integral multiple thereof) higher (but not lower) than 20% thereof.

Effective July 1, 2006, a holder of our common shares will be required to publicly disclose an acquisition of 5% or more of the outstanding common shares of the company, as well any change in the amount of common shares held by such holder, if as a result of such change the percentage of common shares held by the holder becomes greater or lesser than 5, 10, 15, 20, 25, 30, 50 or 75 percent of the outstanding common shares of the company.

Notification of Foreign Ownership

Foreign persons registered as individual entrepreneurs in Russia who acquire shares in a Russian joint stock company and foreign companies that acquire shares in a Russian joint stock company may need to notify the Russian tax authorities within one month following such acquisition. However, the procedure for notifying the Russian tax authorities by foreign companies that are not registered with such tax authorities at the time of their share acquisition remains unclear.

C. Material Contracts

The following is a description of contracts that we and/or our subsidiaries are a party to and that are or may be material to our business:

Syndicated Loans and Credit Facilities

On April 21, 2006, we entered into a syndicated loan facility with several international financial institutions, including: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bayerische Landesbank, HSBC Bank plc, ING Bank N.V., Raiffeisen Bank Oesterreich AG, Sumitomo Mitsui Banking Corporation Europe Limited. The facility allows us to borrow up to \$1,330.0 million and is available in two tranches of \$630.0 million and \$700.0 million. We expect to use the proceeds for general corporate purposes, including acquisitions and refinancing of existing indebtedness. The first tranche bears interest of LIBOR+0.80% per annum and matures in three years. The second tranche matures in April 2011, bears interest of LIBOR+1.00% per annum within the first three years and LIBOR+1.15% per annum thereafter and is repayable in 13 equal quarterly installments, commencing in April 2008. The loan is subject to certain restrictive covenants, including, *inter alia*, certain financial ratios, limitations on dispositions of assets and limitations on transactions with associates. As of June 23, 2006, we had drawn \$630 million under this loan facility.

In December 2005, UMC signed an agreement with Citibank N.A., ING Bank N.V. and Raiffeisen Zentralbank Osterreich AG, for a \$200.0 million aggregated loan facility to be made available in two tranches of \$103.0 million and \$97.0 million. UMC expects to use these funds for general corporate purposes, including financing of capital expenditures and refinancing of existing indebtedness. We have guaranteed the amount outstanding under the first tranche. The first and the second tranche bear interest at LIBOR+0.75% and LIBOR+2.25% per annum, respectively. The commitment fee is calculated on a daily basis at the rate of 45% of the applicable margin established for each tranche. The loan is subject to certain restrictive covenants, including financial ratios and covenants limiting our ability to convey or dispose our properties and assets to another person. We believe that as of December 31, 2005, we were in

compliance with all existing covenants. Each tranche is redeemable in four equal installments within a year after the signing date. As of December 31, 2005, the outstanding balances under the loan were \$103.0 million and \$97.0 million, respectively.

In October 2004, we entered into two credit facility agreements with HSBC Bank plc and ING BHF-BANK AG for a total amount \$121.4 million. The facilities also allow uncommitted additional borrowing of up to \$36.5 million. In April 2005, the lenders agreed to increase the amount of available credit facility by \$28.3 million. The funds received under the facilities were used to purchase telecommunications equipment and software from Siemens AG and Alcatel SEL AG for technical upgrades and the expansion of our network. The facility bears interest at LIBOR+0.43% per annum. A commitment fee of 0.20% per annum and an arrangement fee of 0.25% will be paid in accordance with the loan agreement. The principal and interest amounts are to be repaid in 17 equal half year installments, starting July 2005 for the first agreement and September 2005 for the second agreement. The debt issuance costs in the amount of \$25.9 million were capitalized. As of December 31, 2005 and 2004, the outstanding balances under these agreements were \$171.8 million and \$77.0 million, respectively. The facilities mature in July and September 2013, and are subject to certain restrictive covenants, including, *inter alia*, covenants restricting our ability to convey or dispose of our properties and assets to another person. We believe that as of December 31, 2005, we were in compliance with all existing covenants. As of December 31, 2005, \$3.8 million was available under the credit facilities.

In November 2005, MTS Finance entered into a credit facility agreement with ING Bank N.V., which allows it to borrow up to \$150.0 million. MTS Finance expects to use these funds for general corporate purposes. The loan bears interest at LIBOR+0.75% per annum. The arrangement fee totaled \$0.8 million. The loan is subject to certain restrictive covenants including, *inter alia*, certain financial ratios. We believe that as of December 31, 2005, we were in compliance with all existing covenants. The facility matures in six months after the first utilization of available loan amount. As of December 31, 2005, \$150.0 million was outstanding under the credit facility.

In November 2005, we entered into a credit facility with HSBC Bank plc, ING Bank Deutschland AG and Bayerische Landesbank for up to \$123.8 million, and up to \$17.3 million of uncommitted additional borrowing. We expect to use these funds to finance the acquisition of telecommunications equipment from Alcatel SEL AG. The loan bears interest at LIBOR+0.30% per annum. An arrangement fee of 0.20% of the original facility amount and an agency fee of \$0.01 million per annum will be paid in accordance with the agreement. The commitment fee is 0.10% per annum on the undrawn portion of the facility. The debt issuance costs in the amount of \$19.3 million were capitalized. The loan is subject to certain covenants, including, *inter alia*, covenants restricting our ability to convey or dispose our properties and assets to another person. We believe that as of December 31, 2005, we were in compliance with all existing covenants. The facilities are repayable on a biannual basis in equal installments over nine years. As of December 31, 2005, the balance outstanding under the loan was \$63.3 million. As of December 31, 2005, \$60.5 million was available under the credit facility.

In December 2005, we signed an agreement with Citibank International plc and ING Bank N.V. for a \$130.8 million committed credit facility and a \$36.6 million uncommitted additional facility. These funds will be used to purchase telecommunications equipment from Ericsson AB. The loan bears interest at LIBOR+0.30% per annum. An arrangement fee of 0.20% of the original facility amount and agency fee of \$0.01 million per annum will be paid in accordance with the agreement. The commitment fee is 0.10% per annum on the undrawn portion of the facility. The loan is subject to certain covenants, including, *inter alia*, covenants restricting our ability to convey or dispose of our properties and assets to another person. We believe that as of December 31, 2005, we were in compliance with all existing covenants. The facilities are repayable on a biannual basis in equal installments over nine years. As of December 31, 2005, the balance outstanding under the loan was \$111.0 million. As of December 31, 2005, \$19.7 million was available under the credit facility.

In December 2004, we entered into a credit facility agreement with European Bank for Reconstruction and Development, or EBRD, for a total amount of \$150.0 million. The facility bears interest at LIBOR+3.10% per annum. A commitment fee of 0.50% per annum should be paid in accordance with the credit agreement. The agreement matures on December 15, 2011. The debt issuance costs in the amount of \$1.5 million were capitalized. As of December 31, 2005 and 2004, the balances outstanding under the loan were \$138.5 million and \$150.0 million, respectively. The loan is subject to certain restrictive covenants including, *inter alia*, certain financial ratios. We believe that as of December 31, 2005, we were in compliance with all existing covenants.

In October 2005, we entered into an agreement with Commerzbank AG, HSBC Bank plc and ING Bank Deutschland AG for a \$125.8 million committed credit facility. The agreement also allows us to borrow up to \$28.3 million under an uncommitted additional facility. We expect to use these funds to purchase telecommunications equipment from Siemens AG. The loan bears interest of LIBOR+0.30% per annum. An arrangement fee of 0.20% of the original facility amount and \$0.01 million per annum will be paid in accordance with the agreement. The commitment fee is 0.10% per annum on the undrawn portion of the facility. The loan is subject to certain covenants, including, *inter alia*, covenants restricting our ability to convey or dispose of our properties and assets to another person. We believe that as of December 31, 2005, we were in compliance with all existing covenants. The facilities are repayable on a biannual basis in equal installments over nine years. As of December 31, 2005, the outstanding balance under the loan was \$92.8 million. As of December 31, 2005, \$33.0 million was available under the credit facility.

In February 2005, we entered into a credit facility with Barclays Bank plc to finance the acquisition of equipment from Motorola Limited. The facility allows borrowing of up to \$25.7 million and uncommitted additional borrowing of up to \$64.3 million. In December 2005, the agreement with Barclays Bank plc was amended to increase the amount of available uncommitted funds under the facility by \$23.3 million. The original facility bears interest at LIBOR+0.15% per annum and the additional uncommitted facility bears interest at LIBOR+0.13% per annum. An arrangement fee of 0.4% of the original facility amount and of 0.4% of each additional commitment facility amount will be paid in accordance with the agreement. The commitment fee is 0.175% per annum. The debt issuance costs in the amount of \$10.4 million have been capitalized. The facilities are redeemable in equal semi-annual installments by January 31, 2014. The loan is subject to certain covenants, including, *inter alia*, covenants restricting our ability to convey or dispose of our properties and assets to another person. We believe that as of December 31, 2005, we were in compliance with all existing covenants. As of December 31, 2005, the outstanding balance under the facility was \$80.1 million. As of December 31, 2005, \$31.7 million was available under the credit facility.

In July 2004, MTS OJSC entered into a \$500.0 million syndicated loan agreement with ING Bank N.V., ABN AMRO Bank N.V., HSBC Bank plc, Raiffeisen Zentralbank Oesterreich AG ZAO, Bank Austria Creditanstalt AG, Commerzbank Aktiengesellschaft and others. The credit facility bears interest of LIBOR+2.50% per annum and matures in July 2007. The proceeds of the Syndicated Loan were used by us for corporate purposes, including refinancing our existing indebtedness. In September 2004, the total amount available under the Syndicated Loan was increased by \$100.0 million to \$600.0 million. The commitment fee for the Syndicated Loan amounted to \$0.5 million. The debt issuance costs in the amount of \$10.2 million have been capitalized. At December 31, 2005, \$460.0 million remained outstanding under the Syndicated Loan. The Syndicated Loan is subject to restrictive covenants including, *inter alia*, certain financial ratios. As of December 31, 2005, we were in compliance with all existing covenants. As of June 23, 2006, we had drawn \$320 million under the credit facility, which we expect to be paid out in July 2006.

Notes Indentures and Guarantees

We completed a \$400.0 million notes offering through Mobile TeleSystems Finance S.A. on January 30, 2003. The 9.75% notes were issued under an indenture dated January 30, 2003. Interest on the notes is payable in arrears on January 30 and July 30 of each year, commencing on July 30, 2003. These notes are guaranteed by us and mature on January 30, 2008. They are listed on the Luxembourg Stock Exchange. The net proceeds from this offering of \$396.1 million were used for general corporate purposes, including the acquisition of 57.7% and 26.0% stakes in Ukrainian Mobile Communications in March and June 2003, respectively, and other acquisitions of mobile operators in Russia.

We completed a \$400.0 million notes offering through Mobile TeleSystems Finance S.A. on October 14, 2003. The 8.375% notes were issued under an indenture dated October 14, 2003. Interest on the notes is payable in arrears on April 14 and October 14 of each year, commencing on April 14, 2003. These notes are guaranteed by us and mature on October 14, 2010. They are listed on the Luxembourg Stock Exchange. The net proceeds from this offering of \$395.4 million were used for general corporate purposes, including dividend payments, capital expenditures, and repayment of existing indebtedness incurred in connection with our acquisitions of mobile operators in Russia and Ukraine.

We completed a \$400.0 million notes offering through Mobile TeleSystems Finance S.A. January 28, 2005. The 8.00% notes were issued under an indenture dated January 28, 2005. Interest on the notes is payable in arrears on January 28 and July 28 of each year, commencing on July 28, 2005. These notes are guaranteed by us and mature on January 28, 2012. They are listed on the Luxembourg Stock Exchange. The net proceeds from this offering of \$398.9 million were used to repay a \$140 million loan we received from Credit Suisse First Boston International in October 2004 for general corporate purposes. We used the remaining net proceeds from the offering for general corporate purposes, including acquisitions and increasing our interests in certain of our subsidiaries.

Each of the indentures sets forth various occurrences, each of which would constitute an event of default. If an event of default, other than an event of default arising from events of bankruptcy, insolvency or bankruptcy-related reorganization, occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding notes may accelerate the maturity of all of the notes. After acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of the outstanding notes may, under circumstances set forth in the indenture, rescind the acceleration if all events of default, other than the nonpayment of principal of the notes which have become due solely because of the acceleration, have been cured or waived as provided in the indenture. If an event of default arising from events of our bankruptcy, insolvency or bankruptcy-related reorganization occurs and is continuing, then the principal of, and accrued interest on, all of the notes will automatically become immediately due and payable without any declaration or other act on the part of the holders of notes or the trustee.

Each of the indentures contains covenants limiting: (a) the ability of the issuer, us and our subsidiaries to incur debt; (b) the ability of the issuer, us and our subsidiaries to create liens; (c) the ability of the issuer, us and our subsidiaries to lease properties sold or transferred by us; (d) our ability to enter into loan facilities with affiliates; (e) our ability to merge or consolidate with another person or convey our properties and assets to another person; and (f) our ability to sell or transfer any of our or our subsidiaries' GSM licenses for the Moscow and St. Petersburg license areas, the GSM license for the Krasnodar license area, and UMC's licenses for Ukraine.

In addition, if we experience certain types of mergers, consolidations or other changes in control, noteholders will have the right to require us to redeem the notes at 101% of their principal amount, plus accrued interest. We are also required to take all commercially reasonable steps necessary to maintain a rating of the notes from Moody's or Standard & Poor's. The notes also have cross default provisions with publicly traded debt issued by Sistema.

If we fail to meet these covenants, after certain notice and cure periods, the noteholders can accelerate the debt to be immediately due and payable. We believe that we are in compliance with all restrictive debt covenants provisions during the three-year period ended December 31, 2005.

Pursuant to the guarantees contained in each indenture, we fully and unconditionally guaranteed all payments of principal and interest on the notes. These guarantees are our general unsecured obligation, senior to all our existing and future subordinated obligations, equal to all our existing and future unsecured obligations, and effectively junior to all our existing and future secured obligations and all existing and future obligations of our subsidiaries.

D. Exchange Controls

The Federal Law on Currency Regulation and Currency Control which came into effect on June 18, 2004, empowers the government and the Central Bank of Russia to regulate and restrict certain foreign currency operations, including certain types of payments in foreign currency, operations involving foreign securities (including ADSs) and domestic securities (including our common shares), as well as certain types of settlements in rubles between residents and non-residents of Russia. The new regulatory regime remains generally restrictive.

Capital import and export restrictions

Pursuant to the Federal Law on Currency Regulation and Currency Control, the government and the Central Bank of Russia have the power to restrict, in particular, the following operations:

- investments (not involving the acquisition of securities) by Russian residents into participatory interests in joint ventures with foreign investors or acquired from foreign investors;
- acquisition of Russian securities by foreign investors and foreign securities by Russian investors;
- grants or receipts of loans and credits between residents and non-residents of Russia;
- payments for export-import transactions with settlement over 180 days (and in limited cases, from over three to five years) following completion; and
- the opening by Russian residents of bank accounts outside Russia and the transfers by Russian residents to such accounts of their funds from domestic accounts.

Restrictions that may be introduced include:

- the requirement for Russian residents to register their accounts in foreign banks with the Russian tax authorities prior to the opening of such accounts (the “prior registration requirement”);
- the requirement to perform the operations listed above through special banking accounts with authorized Russian banks (the “requirement to use a special account”); and
- the requirement to deposit in a special non-interest bearing account with an authorized Russian bank (the “reservation requirement”) a monetary sum of:
 - up to 100% of the amount of the foreign currency operation in question for a period of time not exceeding 60 days; or
 - up to 20% of the amount of the foreign currency operation in question for a period of time not exceeding one year.

As of the date hereof, the prior registration requirement has been introduced in respect of the Russian ruble and foreign currency accounts in banks located in countries which are not members of the Organization for Economic Co-operation and Development, or OECD, and the Financial Action Task

Force on Money Laundering, or FATF, established by the G-7, and in respect of ruble accounts in banks located in countries which are members of the OECD or FATF.

As of the date hereof, the requirement to use a special account has been introduced in respect of acquisitions of Russian securities by foreign investors and foreign securities payable in a foreign currency by Russian investors and in respect of the grant or receipt of loans and credits between residents and non-residents of Russia. In particular, the following operations are subject to the requirement to use special accounts:

- receipt by residents of Russia from non-residents of foreign currency and ruble loans and credits with maturities of three years or less;
- acquisition of foreign securities (such as ADSs) by Russian investors; and
- acquisition of Russian securities (such as our shares) by foreign investors.

As of the date hereof, the reservation requirement has been introduced, in particular, in respect of:

- investments by Russian residents into participatory interests in joint ventures with foreign investors or acquired from foreign investors in the amount of 25% of the sum of the performed currency transaction for 15 days;
- receipt by residents of Russia of foreign currency and ruble loans and credits with maturities of three years or less in the amount of 2% of the loan/credit for one year;
- acquisition of foreign securities (such as ADSs) by Russian investors in the amount of 25% of the sum payable for the securities for 15 days;
- pre-payment by Russian residents for the import of works, services and rights to intellectual property to be transferred by non-residents more than 180 days following the pre-payment, in the amount of 10% of the sum of pre-payment excluding the value of the consideration received from non-residents, for a period of time not exceeding 15 days; and
- transfer of funds by Russian companies and individual entrepreneurs from their accounts in Russian banks to their accounts in foreign banks, in the amount of 25% of the sum of the transfer for 15 days (except for transfers to support foreign representative offices of Russian companies).

Up to \$150,000 worth of foreign securities in one calendar year may be purchased/sold by Russian individuals from/to non-residents without any of the above restrictions.

While at present restrictions imposed on foreign currency operations are limited in scope, the statutory powers of the government and the Central Bank of Russia enable them to:

- increase the reservation requirements by an increase in the amount and/or the period of reservation; and/or
- extend the reservation requirements and other restrictions to other types of foreign currency operations envisaged by the Federal Law on Currency Regulation and Currency Control.

Additionally, Russian companies must repatriate 100% of their receivables from the export of goods and services (with a limited number of exemptions, covering, in particular, certain types of secured financing). Furthermore, certain types of cross-border operations may be performed only in rubles, including, for example, transactions with domestic securities, such as our shares, between residents and non-residents of Russia. These requirements increase balances in our ruble-denominated accounts and, consequently, our exposure to currency devaluation risk.

Restrictions on the remittance of dividends, interest or other payments to non-residents

The Federal Law on Foreign Investments in the Russian Federation of July 9, 1999, specifically guarantees foreign investors the right to repatriate their earnings from Russian investments. However, the evolving Russian exchange control regime may materially affect your ability to do so.

Currently, ruble dividends on common shares may be converted into U.S. dollars without restriction. However, the ability to convert rubles into U.S. dollars is also subject to the availability of U.S. dollars in Russia's currency markets. Although there is an existing market within Russia for the conversion of rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, there is no market for the conversion of rubles into foreign currencies outside of Russia and no viable market in which to hedge ruble and ruble-denominated investments.

E. Taxation

The following discussion describes the material United States federal and Russian income and withholding tax consequences to you if you are a U.S. holder of common stock or ADSs and a resident of the United States for purposes of the United States-Russia income tax treaty and are fully eligible for benefits under the United States-Russia income tax treaty. Subject to certain provisions of the United States-Russia income tax treaty relating to limitations on benefits, you generally will be a resident of the United States for treaty purposes that is entitled to treaty benefits if you are:

- liable, under the laws of the United States, to U.S. tax (other than taxes in respect only of income from sources in the United States or capital situated therein) by reason of your domicile, residence, citizenship, place of incorporation, or any other similar criterion (and, for income derived by a partnership, trust or estate, residence is determined in accordance with the residence of the person liable to tax with respect to such income); and
- not also a resident of the Russian Federation for purposes of the United States-Russia income tax treaty.

The benefits under the United States-Russia income tax treaty discussed in this document generally are not available to U.S. persons who hold ADSs or common stock in connection with the conduct of a business in the Russian Federation through a permanent establishment as defined in the United States-Russia income tax treaty. Subject to certain exceptions, a U.S. person's permanent establishment under the United States-Russia income tax treaty is a fixed place of business through which such person carries on business activities in the Russian Federation (generally including, but not limited to, a place of management, a branch, an office and a factory). Under certain circumstances, a U.S. person may be deemed to have a permanent establishment in the Russian Federation as a result of activities carried on in the Russian Federation through agents of the U.S. person. This summary does not address the treatment of holders described in this paragraph.

The following discussion is based on:

- the United States Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof;
- Russian legislation; and
- the United States-Russia income tax treaty (and judicial and administrative interpretations thereof);

all as in effect on the date of this document. All of the foregoing are subject to change, possibly on a retroactive basis, after the date of this document. This discussion is also based, in part, on representations of the depositary, and assumes that each obligation in the deposit agreement and any related agreements

will be performed in accordance with its terms. The discussion with respect to Russian legislation is based on our understanding of current Russian law and Russian tax rules, which are subject to frequent change and varying interpretations.

We believe, and the following discussion assumes, that for United States federal income tax purposes, we were not a passive foreign investment company for the taxable year ending in 2005, we are not a passive foreign investment company for the current taxable year and we will not become a passive foreign investment company in the future. However, passive foreign investment company determinations are made annually and may involve facts that are not within our control. If we were to be a passive foreign investment company, materially adverse tax consequences could apply to investors who are “United States persons” as defined in the United States Internal Revenue Code of 1986, as amended.

The following discussion is not intended as tax advice to any particular investor. It is also not a complete analysis or listing of all potential United States federal or Russian income and withholding tax consequences to you of ownership of common stock or ADSs. We urge you to consult your own tax adviser regarding the specific United States federal, state, and local and Russian tax consequences of the ownership and disposition of the common stock or ADSs under your own particular factual circumstances.

Russian Income and Withholding Tax Considerations

The Russian tax rules applicable to U.S. holders are characterized by significant uncertainties and limited interpretive guidance. Russian tax authorities have provided limited guidance regarding the treatment of ADS arrangements, and there can be no certainty as to how the Russian tax authorities will ultimately treat those arrangements. In 2005, the Russian Ministry of Finance stated that ADS holders must be treated as the beneficial owners of the underlying shares for purposes of the double tax treaty provisions applicable to taxation of dividend income from the underlying shares. However, double tax treaty relief is available only if, before the transfer of dividends to the depository, the latter has provided the issuer with a list of ADS holders accompanied by each holder’s tax residency certificate (confirmation of the country of tax residence). It is currently unclear whether depositories will be willing or able to provide residency certificates for ADS holders or implement procedures for holders to benefit from applicable tax treaties. Thus, while a U.S. holder may technically be entitled to benefit from the provisions of the United States-Russia income tax treaty, in practice such relief may be difficult or impossible to obtain.

However, if the Russian tax authorities were not to treat U.S. holders as the beneficial owners of the underlying shares, then the benefits discussed below regarding the United States-Russia income tax treaty would not be available to U.S. holders. Russian tax law and procedures are also not well developed, and local tax inspectors have considerable autonomy and often interpret tax rules without regard to the rule of law. Both the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets.

Taxation of Dividends

Dividends paid to U.S. holders generally will be subject to Russian withholding tax at a 15% rate for legal entities and up to a 30% rate for individual holders. This tax may be reduced to 5% to 10% under the United States-Russia income tax treaty for U.S. holders; a 5% rate applies for U.S. holders who are legal entities owning 10% or more of the company’s outstanding shares, and a 10% rate applies to dividends paid to U.S. holders, including individuals and legal entities, owning less than 10% of the company’s outstanding shares. See “—United States-Russia Income Tax Treaty Procedures.”

If the appropriate documentation has not been provided to us before the dividend payment date, we are required to withhold tax at the full rate, and U.S. holders qualifying for a reduced rate under the United States-Russia income tax treaty then would be required to file claims for refund within three years

with the Russian tax authorities. There is significant uncertainty regarding the availability and timing of such refunds.

Taxation of Capital Gains

U.S. holders generally should not be subject to any Russian income or withholding taxes in connection with the sale, exchange, or other disposition of ADSs or common stock outside of Russia if the shares or ADSs are not sold to a Russian resident. Sales or other dispositions of ADSs or common stock to Russian residents, however, may be subject to Russian income or withholding taxes, and for such a sale by a U.S. holder, the Russian resident purchaser may be required to withhold 20% to 30% of any gain realized on the sale. However, there is no mechanism by which a Russian purchaser would be able to effect this withholding upon purchasing ADSs from a U.S. holder in connection with the sale of ADSs on the New York Stock Exchange.

U.S. holders may be able to claim the benefits of a reduced rate of withholding under the United States-Russia income tax treaty on the disposition of shares of common stock or ADSs to Russian residents, or obtain a refund of any withheld amounts at rates different from provided in the treaty, by relying on the United States-Russia income tax treaty and complying with the appropriate procedures described below.

Regardless of the residence of the purchaser, a U.S. holder which is a legal entity should not be subject to any Russian income or withholding taxes in connection with the sale, exchange, or other disposition of ADSs if immovable property situated in Russia constitutes 50% or less of our assets or if ADSs are sold via foreign exchanges where they are legally circulated.

United States-Russia Income Tax Treaty Procedures

Under current rules, to claim the benefit of a reduced rate of withholding under the United States-Russia income tax treaty, a non-resident generally must provide official certification from the U.S. tax authorities of eligibility for the treaty benefits in the manner required by Russian law.

A U.S. holder may obtain the appropriate certification by mailing completed forms, together with the holder's name, social security number, tax return form number and the tax period for which certification is required, to: IRS-Philadelphia Accounts Management Center, U.S. Residency Certification Request, P.O. Box 16347, Philadelphia, Pennsylvania 19114-0447. The procedures for obtaining certification are described in greater detail in Internal Revenue Service Publication 686. As obtaining the required certification from the Internal Revenue Service may take at least six to eight weeks, U.S. holders should apply for such certification as soon as possible.

If tax is withheld by a Russian resident on dividends or other amounts at a rate different from provided in the tax treaty, a U.S. holder may apply for a tax refund by filing a package of documents with the Russian local tax inspectorate to which the withholding tax was remitted within three years from the withholding date for U.S. holders which are legal entities, and within one year from the end of the year in which the withholding occurred for individual U.S. holders. The package should include the appropriate form (1011DT (2002) for non-dividend income and 1012DT (2002) for dividend income), confirmations of residence of the foreign holder (IRS Form 6166), a copy of the agreement or other documents substantiating the payment of income, documents confirming the beneficial ownership of the dividends recipient and the transfer of tax to the budget. Under the provisions of the Tax Code, the refund of the tax should be effected within one month after the submission of the documents. However, procedures for processing such claims have not been clearly established, and there is significant uncertainty regarding the availability and timing of such refunds.

Neither the depository nor us has or will have any obligation to assist an ADS holder with the completion and filing of any tax forms.

United States Federal Income Tax Considerations

The following is a general description of the material United States federal income tax consequences that apply to you if you are, for United States federal income tax purposes, a beneficial owner of ADSs or common stock who is a citizen or resident of the United States, a corporation (including any entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, an estate the income of which is subject to U.S. tax regardless of its source, or a trust, if a United States court can exercise primary supervision over the administration of the trust and one or more United States persons can control all substantial trust decisions or, if the trust was in existence on August 20, 1996 and has properly elected to continue to be treated as a United States person. If a partnership (including any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of ADSs or common stock, the United States federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Since your United States federal income and withholding tax treatment may vary depending upon your particular situation, you may be subject to special rules not discussed below. Special rules will apply, for example, if you are:

- an insurance company;
- a tax-exempt organization;
- a financial institution;
- a person subject to the alternative minimum tax;
- a person who is a broker-dealer in securities;
- an S corporation;
- an expatriate subject to Section 877 of the United States Internal Revenue Code;
- an owner of, directly, indirectly or by attribution, 10 percent or more of the outstanding shares of common stock; or
- an owner holding ADSs or common stock as part of a hedge, straddle, synthetic security or conversion transaction.

In addition, this summary is generally limited to persons holding common stock or ADSs as “capital assets” within the meaning of Section 1221 of the United States Internal Revenue Code and whose functional currency is the U.S. dollar. The discussion below also does not address the effect of any United States state or local tax law or foreign tax law.

For purposes of applying United States federal income and withholding tax law, a holder of an ADS should be treated as the owner of the underlying shares of common stock represented by that ADS.

The United States Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by United States persons holding ADSs, of foreign tax credits for United States federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate United States persons, as described below. Accordingly, the analysis of the creditability of Russian taxes described below, and the availability of the reduced tax rate for dividends received by certain non-corporate United States persons, could be affected by future actions that may be taken by the United States Treasury.

Taxation of Dividends on Common Stock or ADSs

For United States federal income tax purposes, the gross amount of a distribution, including any Russian withholding taxes, with respect to common stock or ADSs will be treated as a taxable dividend to the extent of our current and accumulated earnings and profits, computed in accordance with United States federal income tax principles. For taxable years beginning before January 1, 2011, if you are a non-corporate taxpayer such dividends may be taxed at the lower applicable capital gains rate provided (1) certain holding period requirements are satisfied, (2) either (a) our ADSs continue to be listed on the New York Stock Exchange (or other national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934, as amended, or the Nasdaq Stock Market) or (b) we are eligible for the benefits of the United States-Russia income tax treaty, and (3) we are not, for the taxable year in which the dividend was paid, or in the preceding taxable year, a “passive foreign investment company.” Non-corporate U.S. holders are strongly urged to consult their own tax advisors as to the applicability of the lower capital gains rate to dividends received with respect to ADSs or shares of common stock. Distributions in excess of our current or accumulated earnings and profits will be applied against and will reduce your tax basis in common stock or ADSs and, to the extent in excess of such tax basis, will be treated as gain from a sale or exchange of such common stock or ADSs. You should be aware that we do not intend to calculate our earnings and profits for United States federal income tax purposes and, unless we make such calculations, you should assume that any distributions with respect to common stock or ADSs generally will be treated as a dividend, even if that distribution would otherwise be treated as a return of capital or as capital gain pursuant to the rules described above. If you are a corporation, you will not be allowed a deduction for dividends received in respect of distributions on common stock or ADSs, which is generally available for dividends paid by U.S. corporations.

If a dividend distribution is paid in rubles, the amount includible in income will be the U.S. dollar value of the dividend, calculated using the exchange rate in effect on the date the dividend is includible in income by you, regardless of whether the payment is actually converted into U.S. dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includible in your income to the date the rubles are converted into U.S. dollars will be treated as ordinary income or loss. You may be required to recognize foreign currency gain or loss on the receipt of a refund of Russian withholding tax pursuant to the United States-Russia income tax treaty to the extent the United States dollar value of the refund differs from the dollar equivalent of that amount on the date of receipt of the underlying dividend.

Russian withholding tax at the rate applicable to you under the United States-Russia income tax treaty should be treated as a foreign income tax that, subject to generally applicable limitations and conditions, is eligible for credit against your U.S. federal income tax liability or, at your election, may be deducted in computing taxable income. If, however, the holder of an ADS is not treated as the owner of the underlying common stock represented by the ADS for U.S. federal income tax purposes, then Russian withholding tax would not be treated as a foreign income tax eligible for credit as described in the preceding sentence. If Russian tax is withheld at a rate in excess of the rate applicable to you under the United States-Russia income tax treaty, you may not be entitled to credits for the excess amount, even though the procedures for claiming refunds and the practical likelihood that refunds will be made available in a timely fashion are uncertain.

A dividend distribution will be treated as foreign source income and will generally be classified as “passive income” or, in some cases, “financial services income” for United States foreign tax credit purposes. For taxable years beginning after December 31, 2006, dividends will generally constitute “passive category income” but could, in the case of certain U.S. holders, constitute “general category income.” The rules relating to the determination of the foreign tax credit, or deduction in lieu of the foreign tax credit, are complex and you should consult your own tax advisors with respect to those rules.

Taxation on Sale or Exchange of Common Stock or ADSs

The sale of common stock or ADSs will generally result in the recognition of gain or loss in an amount equal to the difference between the amount realized on the sale and your adjusted basis in such common stock or ADSs. That gain or loss will be capital gain or loss if the common stock or ADSs are capital assets in your hands and will be long-term capital gain or loss if the common stock or ADSs have been held for more than one year. If you are an individual, such realized long-term capital gain is generally subject to a reduced rate of United States federal income tax. Limitations may apply to your ability to offset capital losses against ordinary income.

Deposits and withdrawals of common stock by you in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Gain realized on the sale of common stock or ADSs will generally be treated as U.S. source income and therefore the use of foreign tax credits relating to any Russian taxes imposed upon such sale may be limited. You are strongly urged to consult your own tax advisors as to the availability of tax credits for any Russian taxes withheld on the sale of common stock or ADSs.

Information Reporting and Backup Withholding

Dividends and proceeds from the sale or other disposition of common stock or ADSs that are paid in the United States or by a U.S.-related financial intermediary will be subject to U.S. information reporting rules and U.S. backup withholding tax, unless you are a corporation or other exempt recipient. In addition, you will not be subject to backup withholding if you provide your taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding, but such holders may be required to provide certification as to their non-U.S. status.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents that are exhibits to or incorporated by reference in this document can be read at the U.S. Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330 or, from outside the United States, at 1-202-942-8090. Copies may also be obtained from the SEC website at www.sec.gov. Information about Mobile TeleSystems OJSC is also available on the Internet at www1.mtsgsm.com. Information included in our website does not form part of this document.

I. Subsidiary Information

Not applicable.

Item 11. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risk from changes in both foreign currency exchange rates and interest rates. Foreign exchange risks exist to the extent our costs are denominated in currencies other than dollars.

We are subject to market risk deriving from changes in interest rates, which may affect the cost of our financing.

Interest Rate Risk

We are exposed to variability in cash flow risk related to our variable interest rate debt and exposed to fair value risk related to our fixed-rate notes. As of December 31, 2005, \$1,645.5 million, or 57.7% of our total indebtedness, including capital leases, was variable interest rate debt, while \$1,205.1 million, or 42.3% of our total indebtedness, including capital leases, was fixed interest rate debt.

For indebtedness with variable interest rates, the table below presents principal cash flows and related weighted average interest rates by contractual maturity dates as of December 31, 2005.

Contractual Maturity Date as of December 31, 2005

Bank	Currency	2006	2007	2008	2009	2010	Thereafter	Total	Annual interest rate (Actual interest rate at December 31, 2005)
(amounts in thousands of U.S. dollars)									
Syndicated loan	USD	\$ 280,000	\$ 180,000	\$—	\$—	\$—	\$—	\$460,000	7.20%
Citibank N.A., ING Bank N.V. and Raiffeisen AG	USD	200,000	—	—	—	—	—	200,000	5.29%–6.79%
HSBC Bank plc and ING BHF-BANK AG	USD	18,039	21,353	21,353	21,353	21,353	68,365	171,816	5.13%
ING Bank N.V.	USD	150,000	—	—	—	—	—	150,000	5.14%
Citibank International plc and ING Bank N.V.	USD	6,530	13,060	13,060	13,060	13,060	52,239	111,009	5.00%
EBRD	USD	23,077	23,077	23,077	23,077	23,077	23,077	138,462	7.80%
Commerzbank AG, ING Bank AG and HSBC Bank plc	USD	10,921	10,921	10,921	10,921	10,921	38,221	92,826	5.00%
ABN AMRO N.V.	USD/EUR	10,397	10,397	10,397	10,397	10,397	31,194	83,179	5.05%–2.99%
Barclays Bank plc		9,609	9,558	9,436	9,436	9,437	32,610	80,086	4.83%–4.85%
HSBC Bank plc, ING Bank AG and Bayerische Landesbank	USD	3,726	7,452	7,452	7,452	7,452	29,804	63,338	5.00%
ING BHF Bank and Commerzbank AG	EUR	12,333	12,334	12,334	6,167	—	—	43,168	3.29%
ING Bank (Eurasia)	USD	20,000	—	—	—	—	—	20,000	6.79%–8.69%
Commerzbank	USD	2,663	2,663	2,663	2,663	2,662	—	13,314	5.10%
HSBC	USD	7,500	—	—	—	—	—	7,500	7.23%
West LB	EUR	4,000	—	—	—	—	—	4,000	4.64%
Nordea Bank Sweden	USD	3,249	—	—	—	—	—	3,249	5.10%
Ericsson	USD	3,150	—	—	—	—	—	3,150	8.54%
Other	USD	687	—	—	—	—	—	687	
Total variable debt		\$ 765,881	\$ 290,815	\$ 110,693	\$ 104,526	\$ 98,359	\$ 275,510	\$ 1,645,784	
Weighted average interest rate		6.23%	6.48%	5.31%	5.43%	5.57%	5.14%	5.94%	

We would experience an additional interest expense of approximately \$16.5 million on an annual basis as a result of a hypothetical increase in the LIBOR/EURIBOR by 1% over the current rate as of December 31, 2005. We would have experienced an additional interest expense of approximately \$11.2 million on an annual basis as a result of a hypothetical increase in the LIBOR/EURIBOR by 1% over the current rate as of December 31, 2004. The increase by 47.3% in an additional interest expense is primarily attributable to the LIBOR/EURIBOR fluctuations and change in our debt structure during the year ended December 31, 2005. The fair value of our publicly traded fixed-rate long-term notes as of December 31, 2005, ranged from 101.7% to 105.7% of the notional amount. As of December 31, 2005, the difference between the carrying value and the fair value of other fixed rate debt was immaterial and the majority of

capital lease obligations is current. For details of our fixed-rate debt, refer to Note 11 to our audited consolidated financial statements. The fair value of variable rate debt is equivalent to carrying value.

In December 2004, we entered into two variable-to-fixed interest rate swap agreements with ABN AMRO Bank N.V and with HSBC Bank plc to hedge our exposure to variability of future cash flows caused by the change in LIBOR related to the syndicated loan. For details of these contracts, see Note 11 to our audited consolidated financial statements.

We continue to consider other financial instruments available to us to mitigate exposure to interest rate fluctuations.

Foreign Currency Risk

The following tables show, for the periods indicated, certain information regarding the exchange rate between the ruble and the U.S. dollar, based on data published by the Central Bank of Russia. These rates may differ from the actual rates used in preparation of our financial statements and other financial information provided herein.

	Rubles per U.S. dollar			Period End
	High	Low	Average ⁽¹⁾	
Year ended December 31,				
2001	30.30	28.16	29.22	30.14
2002	31.86	30.14	31.39	31.78
2003	31.88	29.25	30.61	29.45
2004	29.45	27.75	28.73	27.75
2005	29.00	27.46	28.31	28.78

⁽¹⁾ The average of the exchange rates on the last business day of each full month during the relevant period.

	Rubles per U.S. dollar	
	High	Low
December 2005	29.00	28.64
January 2006	28.48	28.02
February 2006	28.26	28.10
March 2006	28.12	27.66
April 2006	27.77	27.27
May 2006	27.24	26.92

Source: Central Bank of Russia.

On June 30, 2006, the exchange rate between the ruble and the U.S. dollar was 27.08 rubles per U.S. dollar.

The following tables show, for the periods indicated, certain information regarding the exchange rate between the hryvnia and the U.S. dollar, based on data published by the National Bank of Ukraine. These rates may differ from the actual rates used in preparation of our financial statements and other financial information provided herein.

Year ended December 31,	Hryvnias per U.S. dollar			
	High	Low	Average ⁽¹⁾	Period End
2001	5.43	5.27	5.37	5.30
2002	5.33	5.30	5.33	5.33
2003	5.33	5.33	5.33	5.33
2004	5.33	5.31	5.32	5.31
2005	5.31	5.05	5.12	5.05

⁽¹⁾ The average of the exchange rates on the last business day of each full month during the relevant period.

	Hryvnias per U.S. dollar	
	High	Low
December 2005	5.05	5.05
January 2006	5.05	5.05
February 2006	5.05	5.05
March 2006	5.05	5.05
April 2006	5.05	5.05
May 2006	5.05	5.05

Source: National Bank of Ukraine.

On June 30, 2006, the exchange rate between the hryvnia and the U.S. dollar was 5.05 hryvnias per U.S. dollar.

Our principal exchange rate risk involves changes in the value of the ruble and the euro relative to the U.S. dollar. As a result of inflation in Russia and Ukraine, we link our monetary assets and transactions, when possible, to the U.S. dollar, which under SFAS No. 52 is reported in this document as our functional currency. We have not entered into any significant currency hedging arrangements.

Substantially all of our capital expenditures and operating and borrowing costs are either denominated in U.S. dollars or tightly linked to the U.S. dollar exchange rate. These include salaries, interconnection costs, roaming expenses, cost of customer equipment, capital expenditures and borrowings. In order to hedge against a risk of exchange rate currency fluctuations, we also denominate a majority of our tariffs in Russia, which are payable in rubles, in units linked to the U.S. dollar and require accounts to be settled at the official exchange rate of the Central Bank of Russia on the date of payment. However, we intend to move to ruble-denominated tariffs and invoicing in the future and, to that end, we introduced a fixed exchange rate for converting U.S. dollar-denominated tariffs and charges into Russian rubles in 2006.

If either of the ruble or the hryvnia declines against the U.S. dollar and tariffs cannot be maintained for competitive or other reasons, our operating margins could be adversely affected and we could have difficulty repaying or refinancing our U.S. dollar-denominated indebtedness.

Our investment in monetary assets denominated in rubles and hryvnias is also subject to risk of loss in U.S. dollar terms. In particular, we are unable mostly due to virtually absence of the respective market in Russia to hedge the risks associated with our ruble and hryvnia bank or deposit accounts. Generally, as the

value of the ruble or the hryvnia declines, our net ruble and hryvnia monetary asset position results in currency remeasurement losses.

The potential decline in the value of the ruble or hryvnia against the U.S. dollar also reduces the U.S. dollar value of tax savings arising from the depreciation of our property, plant and equipment since their basis for tax purposes is denominated in rubles or hryvnias at the time of the investment or acquisition.

A portion of our capital expenditures, operating and borrowing costs are denominated in euro. These include cost of customer equipment, capital expenditures and certain borrowings. We currently do not hedge against the risk of decline in the U.S. dollar against the euro because settlements denominated in euros are not significant.

We would experience a loss of \$25.4 million in the fair value of our ruble and hryvnia-denominated net monetary assets as a result of a hypothetical 10.0% increase in the ruble/hryvnia to U.S. dollar exchange rate at December 31, 2005. We would have experienced a loss of \$18.6 million in the fair value of our ruble and hryvnia-denominated net monetary assets as a result of a hypothetical 10.0% increase in the ruble/hryvnia to U.S. dollar exchange rate at December 31, 2004. The increase by 36.6% in a hypothetical loss in the fair value of our ruble and hryvnia-denominated net monetary assets primarily resulted from significant ruble/hryvnia to U.S. dollar exchange rate' fluctuations during the year ended December 31, 2005. We would experience a loss of \$5.2 million in the fair value of our euro-denominated monetary liabilities as a result of a hypothetical 10.0% increase in the U.S. dollar to euro exchange rate at December 31, 2005. We would have experienced a loss of \$9.4 million in the fair value of our euro-denominated monetary liabilities as a result of a hypothetical 10.0% increase in the U.S. dollar to euro exchange rate at December 31, 2004. The decrease by 44.7% in a hypothetical loss in the fair value of our euro-denominated monetary liabilities was mainly the result of significant U.S. dollar to euro exchange rate fluctuations during the year ended December 31, 2005. We are unable to estimate future loss of earnings as a result of such changes.

Item 12. *Description of Securities Other Than Equity Securities*

Not applicable.

PART II

Item 13. *Defaults, Dividend Arrearages and Delinquencies*

None.

Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds*

A.-E. Not Applicable.

Item 15. *Controls and Procedures*

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in this report is recorded, processed, summarized and reported on a timely basis. Our President and Chief Financial Officer, with the assistance of other members of management, performed an evaluation of our disclosure controls and procedures as of December 31, 2005. Based on that evaluation, they concluded that our disclosure controls and procedures were effective as of December 31, 2005, to achieve their intended objectives.

There were no changes in our internal control over financial reporting during the fiscal year 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. *Audit Committee Financial Expert*

Our Board of Directors has determined that Helmut Reuschenbach is an "audit committee financial expert" as defined in Item 16A of Form 20-F.

Item 16B. *Code of Ethics*

We have adopted a Code of Ethics that applies to our senior officers. A copy of our Code of Ethics is available on our Internet website, www1.mtsgsm.com.

Item 16C. *Principal Accountant Fees and Services*

ZAO Deloitte & Touche CIS has served as our independent public accountants for each of the fiscal years in the three-year period ended December 31, 2005, for which audited financial statements appear in this Annual Report on Form 20-F. The following table presents the aggregate fees billed for professional services and other services to ZAO Deloitte & Touche CIS in 2005 and 2004.

	Year ended December 31,	
	2005	2004
	(in thousands)	
Audit Fees	\$1,364.8	\$1,532.2
Audit-Related Fees	407.2	220.5
Tax Fees	102.1	19.5
All Other Fees	—	—
Total	\$1,874.1	\$1,722.2

Audit Fees

The Audit Fees for the years 2005 and 2004 were for services associated with the consolidated U.S. GAAP audits, the quarterly reviews, several statutory audits, involvement with four U.S. dollar-denominated notes offerings including the preparation of comfort letters and reviews of the related offering memoranda.

Audit-Related Fees

The Audit-Related Fees paid in 2004 and 2005 mainly included fees for due diligence, accounting consultations and audits in connection with acquisitions and internal control review.

Tax Fees

The Tax Fees for the years 2004 and 2005 were mainly for services associated with tax compliance and other tax consulting services.

All Other Fees

No such fees were billed in 2004 and 2005.

Audit Committee Pre-Approval Policies and Procedures

The Sarbanes-Oxley Act of 2002 required us to implement a pre-approval process for all engagements with our independent public accountants. In compliance with Sarbanes-Oxley requirements pertaining to auditor independence, our Audit Committee pre-approves the engagement terms and fees of ZAO Deloitte & Touche CIS for all audit and non-audit services, including tax services. Our Audit Committee pre-approved the engagement terms and fees of ZAO Deloitte & Touche CIS for all services performed for the fiscal year ended December 31, 2005.

Item 16D. *Exemption from the Listing Standards for Audit Committees*

Not Applicable.

Item 16E. *Purchases of Equity Securities by the Issuer and Affiliated Purchasers*

No purchases were made by or on behalf of us or any affiliated purchaser of shares or other units of any class of our equity securities during the period covered by this annual report.

PART III

Item 17. *Financial Statements*

See instead Item 18.

Item 18. *Financial Statements*

The following financial statements, together with the report of ZAO Deloitte & Touche CIS, are filed as part of this annual report on Form 20-F.

Index to Consolidated Financial Statements	F-1
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Financial Statements at December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003:	
Consolidated balance sheets at December 31, 2005 and 2004	F-3
Consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003	F-5
Consolidated statements of changes in shareholders' equity for the years ended December 31, 2005, 2004 and 2003	F-6
Consolidated statements of cash flows for the years ended December 31, 2005, 2004 and 2003	F-7
Notes to consolidated financial statements	F-9

Item 19. *Exhibits*

<u>No.</u>	<u>Description</u>
1.1	Charter of Mobile TeleSystems OJSC (English Translation), restated version no. 4, as approved by the Annual General Meeting of Shareholders of Mobile TeleSystems OJSC held on June 23, 2006.
1.2	Amendments and additions to the Charter of Mobile TeleSystems OJSC (English Translation), as approved by the Annual General Meeting of Shareholders of Mobile TeleSystems OJSC held on June 23, 2006.
2.1	Deposit Agreement, dated as of July 6, 2000, by and among, MTS, Morgan Guaranty Trust Company of New York (as depository), and holders of ADRs is incorporated herein by reference to Exhibit 2.1 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2000, on Form 20-F.
4.1	Facility Agreement for Mobile TeleSystems Open Joint Stock Company arranged by ABN AMRO Bank N.V., HSBC Bank plc, ING Bank N.V., Raiffeisen Zentralbank Oesterreich AG as Original Mandated Lead Arrangers and Bank Austria Creditstalt AG, Commerzbank Aktiengesellschaft as New Mandated Lead Arrangers, with ING Bank N.V., London Branch acting as Agent dated July 26, 2004 is incorporated herein by reference to Exhibit 4.1 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004, on Form 20-F.
4.2	Amendment and Transfer Agreement dated 30 September 2004 relating to a Facility Agreement dated July 26, 2004 is incorporated herein by reference to Exhibit 4.2 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004, on Form 20-F.

- 4.3 Indenture dated as of January 28, 2005 between Mobile TeleSystems Finance S.A., Mobile TeleSystems OJSC and JPMorgan Chase Bank is incorporated herein by reference to Exhibit 4.3 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004, on Form 20-F.
- 4.4 Indenture dated as of October 14, 2003 between Mobile TeleSystems Finance S.A., Mobile TeleSystems OJSC and JPMorgan Chase Bank is incorporated herein by reference to Exhibit 4.1 to the Annual Report filed pursuant to Section 13 or 15 (d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003, on Form 20-F.
- 4.5 Indenture dated as of January 30, 2003 between Mobile TeleSystems Finance S.A., Mobile TeleSystems OJSC and JPMorgan Chase Bank is incorporated herein by reference to Exhibit 4.1 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, on Form 20-F.
- 4.6 License No. 000612 permitting activities in the field of communication in the territory of Ukraine (English Translation) is incorporated herein by reference to Exhibit 4.13 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, on Form 20-F.
- 4.7 License No. 000613 permitting activities in the field of communication in the territory of Ukraine (English Translation) is incorporated herein by reference to Exhibit 4.14 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, on Form 20-F.
- 4.8 MTS license No. 24134 to provide cellular radiotelephone communications services of the public communications network using GSM equipment in the 1800-MHz band (CMC-1800) in the territory of the Urals region, the Republic of Komi, the Udmurt Republic; the Kirov, Kurgan, Orenburg, Perm, Sverdlovsk, Tyumen, and Chelyabinsk oblasts; and the Komi-Permyak, Khanty-Mansyisk, and Yamalo-Nenets autonomous okrugs (English Translation) is incorporated herein by reference to Exhibit 4.15 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, on Form 20-F.
- 4.9 Amendment No. 1 to license No. 24134 to provide cellular radiotelephone communications services of the public communications network using GSM equipment in the 900-MHz band on the same territory is incorporated herein by reference to Exhibit 4.15 to the Annual Report filed pursuant to Section 13 or 15 (d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003, on Form 20-F.
- 4.10 MTS license No. 24135 to provide cellular radiotelephone communications services of the public communications network using GSM equipment in the 1800-MHz band (CMC-1800) in the territory of the Central and Central-Chernozem regions and the Bryansk, Vladimir, Ivanovo, Tver, Kaluga, Kostroma, Orlov, Ryazan, Smolensk, Tula, Yaroslavl, Belgorod, Voronezh, Kursk, Lipetsk, Tambov, and Nizhny Novgorod oblasts (English Translation) is incorporated herein by reference to Exhibit 4.16 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, on Form 20-F.
- 4.11 Amendment No. 1 to license No. 24135 to provide cellular radiotelephone communications services of the public communications network using GSM equipment in the 900-MHz band on the same territory is incorporated herein by reference to Exhibit 4.17 to the Annual Report filed pursuant to Section 13 or 15 (d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003, on Form 20-F.

- 4.12 MTS license No. 24136 to provide cellular radiotelephone communications services of the public communications network using GSM equipment in the 1800-MHz band (CMC-1800) in the territory of the city of Moscow and the Moscow oblast (English Translation) is incorporated herein by reference to Exhibit 4.17 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, on Form 20-F.
- 4.13 Amendment No. 1 to license No. 24136 to provide cellular radiotelephone communications services of the public communications network using GSM equipment in the 900-MHz band on the same territory is incorporated herein by reference to Exhibit 4.19 to the Annual Report filed pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003, on Form 20-F.
- 4.14 MTS GSM-900 license No. 14664 for the territory of Kostroma region is incorporated herein by reference to Exhibit 10.3 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.15 MTS GSM-900 license No. 14663 for the territory of the Komi republic is incorporated herein by reference to Exhibit 10.4 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.16 MTS GSM-900 license No. 14452 for the territory of Smolensk region is incorporated herein by reference to Exhibit 10.5 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.17 MTS GSM-900 license No. 14453 for the territory of Vladimir region is incorporated herein by reference to Exhibit 10.6 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.18 MTS GSM-900 license No. 14454 for the territory of Pskov region is incorporated herein by reference to Exhibit 10.7 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.19 MTS GSM-900 license No. 14455 for the territory of Tula region is incorporated herein by reference to Exhibit 10.8 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.20 MTS GSM-900 license No. 14456 for the territory of Kaluga region is incorporated herein by reference to Exhibit 10.9 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.21 MTS GSM-900 license No. 14457 for the territory of Ryazan region is incorporated herein by reference to Exhibit 10.10 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.22 ReCom GSM-900 license No. 10015 for the territory of Oryol region is incorporated herein by reference to Exhibit 10.14 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.23 ReCom GSM-900 license No. 10020 for the territory of Kursk region is incorporated herein by reference to Exhibit 10.15 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).

- 4.24 ReCom GSM-900 license No. 10021 for the territory of Belgorod region is incorporated herein by reference to Exhibit 10.16 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.25 ReCom GSM-900 license No. 10022 for the territory of Bryansk region is incorporated herein by reference to Exhibit 10.17 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.26 ReCom GSM-900 license No. 10023 for the territory of Lipetsk region is incorporated herein by reference to Exhibit 10.18 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.27 ReCom GSM-900 license No. 10024 for the territory of Voronezh region is incorporated herein by reference to Exhibit 10.19 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.28 Sibintertelecom GSM-900/1800 license No. 36728 for the provision of mobile radiotelephony services in the public communications network in the territory of Chita region (English translation).
- 4.29 MTS license No. 37370 for the provision of telematic services in the Komi Republic and Udmurt Republic; Perm Krai; Amur, Belgorod, Bryansk, Vladimir, Voronezh, Ivanovo, Kaluga, Kirov, Kostroma, Kurgan, Kursk, Lipetsk, Moscow, Nizhny Novgorod, Omsk, Orenburg, Orlov, Pskov, Ryazan, Sverdlovsk, Smolensk, Tambov, Tver, Tula, Tyumen, Chelyabinsk and Yaroslavl regions; Khanty Mansiysk and Yamalo Nenets Autonomous Districts; and the City of Moscow (English translation).
- 4.30 MTS license No. 33780 for the provision communications channels services in the territories of Ivanovo, Kirov, Nizhny Novgorod and Yaroslavl regions (English translation).
- 4.31 MTS license No. 33910 for the provision of mobile radiotelephone communications services in the 900/1800—MHz band in the territories of the Karelia Republic, Nenets Autonomous District, Arkhangelsk, Vologda, Kaliningrad, Leningrad, Murmansk, Novgorod and Pskov regions and city of St. Petersburg (English translation).
- 4.32 MTS License No. 33919 for leasing of communications channels in the territory of the Adygeya Republic and Krasnodar Krai (English translation).
- 4.33 MTS License No. 33920 for provision of data transmission services, excluding voice information, in the territory of the Krasnodar Krai (English translation).
- 4.34 MTS License No. 33922 for provision of telematic services in the territory of the Krasnodar Krai (English translation).
- 4.35 MTS License No. 33927 for provision of mobile radiotelephone communications services in the 900/1800—MHz band in the territory of the Adygeya Republic (English translation).
- 4.36 MTS License No. 33928 for provision of mobile radiotelephone communications services in the 900/1800—MHz band in the territory of the Krasnodar Krai (English translation).
- 4.37 BCTI license No. 164 for the provision of cellular and paging services in the territory of Turkmenistan (English translation).
- 4.38 Loan Agreement, dated as of December 20, 1996, by and between Rosico and Ericsson Project Finance AB is incorporated herein by reference to Exhibit 10.24 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).

- 4.39 Interconnection Agreement, dated as of December 29, 1995, as amended, by and between MTS and Rostelecom is incorporated herein by reference to Exhibit 10.54 to Amendment No. 1 to the Registration Statement on Form F-4 (Registration No. 333-86974).
- 4.40 Interconnection Agreement, dated as of November 4, 1996, as amended, by and between MTS and MGTS is incorporated herein by reference to Exhibit 10.55 to Amendment No. 1 to the Registration Statement on Form F-4 (Registration No. 333-86974).
- 4.41 Interconnection Agreement, dated as of December 25, 2001, by and between MTS and MGTS is incorporated herein by reference to Exhibit 10.56 to Amendment No. 1 to the Registration Statement on Form F-4 (Registration No. 333-86974).
- 4.42 Interconnection Agreement, dated as of June 30, 1998, by and between MTS and MTU-Inform is incorporated herein by reference to Exhibit 10.28 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.43 Interconnection Agreement, dated as of February 26, 1999, by and between MTS and Sovintel is incorporated herein by reference to Exhibit 10.58 to Amendment No. 1 to the Registration Statement on Form F-4 (Registration No. 333-86974).
- 4.44 Interconnection Agreement, dated as of August 28, 2000, by and between MTS and Sovintel is incorporated herein by reference to Exhibit 10.59 to Amendment No. 1 to the Registration Statement on Form F-4 (Registration No. 333-86974).
- 4.45 Software License Agreement, dated as of August 13, 1999, by and between MTS and Motorola, Inc. is incorporated herein by reference to Exhibit 10.33 to Amendment No. 5 to the Registration Statement on Form F-1 (Registration No. 333-12032).
- 4.46 Facility Agreement for Mobile TeleSystems Open Joint Stock Company arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bayerische Landesbank, HSBC Bank plc, ING Bank N.V., Raiffeisen Bank Oesterreich AG and Sumitomo Mitsui Banking Corporation Europe Limited as Mandated Lead Arrangers and ING Bank N.V., London Branch acting as Agent dated April 21, 2006.
- 4.47 Facility Agreement for Closed Joint Stock Company Ukrainian Mobile Communications arranged by Citibank N.A. and ING Bank N.V. as Bookrunner, Citibank N.A., ING Bank N.V and Raiffeisen Zentralbank Osterreich AG as Mandated Lead Arrangers with Citibank International plc acting as Agent dated December 14, 2005.
- 4.48 Credit Agreement between OJSC Mobile TeleSystems as Borrower and HSBC Bank plc, ING BHF-Bank Aktiengesellschaft as Arrangers and Lenders, HSBC Bank plc as Facility Agent and ING BHF-Bank Aktiengesellschaft as Hermes Agent dated October 11, 2004.
- 4.48.1 Supplement Credit Agreement between OJSC Mobile TeleSystems as Borrower and HSBC Bank plc and BHF-Bank Aktiengesellschaft as Arrangers and Lenders, HSBC Bank plc as Facility Agent and BHF-Bank Aktiengesellschaft as Hermes Agent dated April 12, 2005.
- 4.49 Facility Agreement for Mobile TeleSystems Finance S.A. arranged by ING Bank N.V. as Mandated Lead Arranger with ING Bank N.V., London Branch acting as Agent dated November 16, 2005.
- 4.50 Credit Agreement between OJSC Mobile TeleSystems as Borrower and HSBC Bank plc, ING Bank Deutschland AG and Bayerische Landesbank as Mandated Lead Arrangers and Lenders and ING Bank Deutschland AG as Facility Agent dated November 25, 2005.

- 4.51 Credit Agreement between OJSC Mobile TeleSystems as Borrower and Citibank, N.A. and ING Bank N.V. as Mandated Lead Arrangers, Citibank International plc and ING Bank N.V. as Lenders and ING Bank N.V. as Facility Agent and Citibank International plc as EKN Agent dated December 14, 2005.
- 4.52 Facility Agreement between Mobile TeleSystems Open Joint Stock Company as Borrower and European Bank for Reconstruction and Development as Lender dated December 8, 2004.
- 4.53 Credit Agreement between OJSC Mobile TeleSystems as Borrower and HSBC Bank plc, ING Bank Deutschland AG and Commerzbank Aktiengesellschaft as Mandated Lead Arrangers and Lenders and HSBC Bank plc as Facility Agent and BHF-Bank Aktiengesellschaft as Hermes Agent dated October 18, 2005.
- 4.54 Loan Agreement for Open Joint Stock Company Mobile TeleSystems as Borrower with Barclays Bank plc as Banker and Her Britannic Majesty's Secretary of State (acting by the Export Credits Guarantee Department) as ECGD dated February 15, 2005.
- 4.54.1 Amendment Agreement relating to the Loan Agreement for Open Joint Stock Company Mobile TeleSystems as Borrower with Barclays Bank plc as Banker and Her Britannic Majesty's Secretary of State (acting by the Export Credits Guarantee Department) as ECGD dated December 12, 2005
- 4.55 Facility Agreement for Mobile TeleSystems Open Joint Stock Company arranged by ABN AMRO Bank N.V., HSBC Bank plc, ING Bank N.V. and Raiffeisen Zentralbank Oesterreich AG as Original Mandated Lead Arrangers and Bank Austria Creditanstalt AG and Commerzbank Aktiengesellschaft as New Mandated Lead Arrangers with ING Bank N.V., London Branch acting as Agent dated July 26, 2004.
- 4.55.1 Amendment and Transfer Agreement relating to Facility Agreement for Mobile TeleSystems Open Joint Stock Company arranged by ABN AMRO Bank N.V., HSBC Bank plc, ING Bank N.V. and Raiffeisen Zentralbank Oesterreich AG as Original Mandated Lead Arrangers, Bank Austria Creditanstalt AG and Commerzbank Aktiengesellschaft as New Mandated Lead Arrangers and Barclays Capital as Additional New Mandated Lead Arranger with ING Bank N.V., London Branch acting as Agent dated July 26, 2004.
- 8.1 List of Subsidiaries of Mobile TeleSystems OJSC.
- 12.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MOBILE TELESYSTEMS OJSC

Date: June 30, 2006

By: /s/ Leonid Melamed
Leonid Melamed
Title: President and Chief Executive Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

OJSC Mobile TeleSystems and Subsidiaries

	<u>Page</u>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	F-2
CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2005 AND 2004 AND FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003:	
<u>Consolidated balance sheets at December 31, 2005 and 2004</u>	F-3
<u>Consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003</u>	F-5
<u>Consolidated statements of changes in shareholders' equity for the years ended December 31, 2005, 2004 and 2003</u>	F-6
<u>Consolidated statements of cash flows for the years ended December 31, 2005, 2004 and 2003</u>	F-7
<u>Notes to consolidated financial statements</u>	F-9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of OJSC Mobile TeleSystems:

We have audited the accompanying consolidated balance sheets of Mobile TeleSystems, a Russian Open Joint-Stock Company, and subsidiaries (“the Group”) as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ ZAO Deloitte & Touche CIS

March 27, 2006, except for Note 24,
as to which the date is April 21, 2006

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2005 AND 2004
(Amounts in thousands of U.S. dollars, except share and per share amounts)

	December 31,	
	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents (Note 4)	\$ 78,284	\$ 274,150
Short-term investments, including related party amounts of \$23,100 and \$73,100 as of December 31, 2005 and 2004, respectively (Note 5)	28,059	73,360
Trade receivables, net (Note 6)	209,320	162,525
Accounts receivable, related parties (Note 17)	7,661	17,768
Inventory and spare parts (Note 7)	156,660	89,518
Prepaid expenses	234,345	79,971
Deferred tax asset (Note 14)	83,336	49,850
VAT receivable	398,021	272,578
Other current assets	95,567	21,235
Total current assets	1,291,253	1,040,955
PROPERTY, PLANT AND EQUIPMENT , net of accumulated depreciation of \$1,350,783 and \$901,416, respectively (Note 8)	4,482,679	3,234,318
LICENSES , net of accumulated amortization of \$561,137 and \$385,664, respectively (Notes 3 and 21)	603,116	687,272
GOODWILL (Note 3)	155,221	108,329
OTHER INTANGIBLE ASSETS , net of accumulated amortization of \$505,098 and \$309,399, respectively (Notes 3 and 9)	681,025	412,532
DEBT ISSUANCE COSTS , net of accumulated amortization of \$23,692 and \$9,345, respectively (Note 11)	74,527	16,546
INVESTMENTS IN AND ADVANCES TO ASSOCIATES (Note 19)	107,959	81,235
OTHER INVESTMENTS (Note 20)	150,000	—
Total assets	\$ 7,545,780	\$ 5,581,187

The accompanying notes to consolidated financial statements are an integral part of these statements.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

AT DECEMBER 31, 2005 AND 2004

(Amounts in thousands of U.S. dollars, except share and per share amounts)

	December 31,	
	2005	2004
CURRENT LIABILITIES:		
Accounts payable, related parties (Note 17)	\$ 40,829	\$ 17,009
Trade accounts payable	363,723	242,495
Deferred connection fees, current portion (Note 10)	44,361	45,083
Subscriber prepayments and deposits	344,493	308,859
Debt, current portion (Note 11)	765,881	370,845
Capital lease obligation, current portion (Notes 12 and 17)	2,793	8,561
Income tax payable	7,565	22,567
Accrued liabilities (Note 13)	276,291	180,677
Other payables	76,890	33,872
Total current liabilities	<u>1,922,826</u>	<u>1,229,968</u>
LONG-TERM LIABILITIES:		
Notes payable (Note 11)	1,199,052	800,000
Debt, net of current portion (Note 11)	879,903	753,795
Capital lease obligation, net of current portion (Notes 12 and 17)	2,928	3,947
Deferred connection fees, net of current portion (Note 10)	57,824	47,665
Deferred taxes (Note 14)	158,414	160,390
Total long-term liabilities	<u>2,298,121</u>	<u>1,765,797</u>
Total liabilities	<u>4,220,947</u>	<u>2,995,765</u>
COMMITMENTS AND CONTINGENCIES (Note 22)	—	—
MINORITY INTEREST	30,744	62,099
SHAREHOLDERS' EQUITY:		
Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as of December 31, 2005 and 2004, 763,554,870 and 432,414,940 of which are in the form of ADS, respectively (Note 1))	50,558	50,558
Treasury stock (5,400,486 and 7,202,108 common shares at cost as of December 31, 2005 and 2004)	(5,534)	(7,396)
Additional paid-in capital	568,104	564,160
Unearned compensation (Note 16)	(1,210)	(1,780)
Shareholder receivable (Note 11)	(7,182)	(18,237)
Accumulated other comprehensive income (Note 2)	50,614	22,444
Retained earnings	2,638,739	1,913,574
Total shareholders' equity	<u>3,294,089</u>	<u>2,523,323</u>
Total liabilities and shareholders' equity	<u>\$ 7,545,780</u>	<u>\$ 5,581,187</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts)

	Years ended December 31,		
	2005	2004	2003
NET OPERATING REVENUE			
Services revenue and connection fees	\$ 4,942,288	\$ 3,800,271	\$ 2,465,089
Sales of handsets and accessories	68,730	86,723	81,109
	5,011,018	3,886,994	2,546,198
Cost of services, excluding of depreciation and amortization shown separately below (including related party amounts of \$78,253, \$61,770 and \$37,680, respectively)	732,867	481,097	301,108
Cost of handsets and accessories	254,606	218,590	173,071
General and administrative expenses (including related party amounts of \$9,486, \$9,509 and \$11,002, respectively) (Note 18)	758,729	575,296	355,230
Provision for doubtful accounts (Note 6)	50,407	26,459	32,633
Other operating expenses	67,173	29,777	18,859
Sales and marketing expenses (including related party amounts of \$80,146, \$59,113 and \$23,668, respectively)	608,092	460,983	326,783
Depreciation and amortization expenses	907,113	675,729	415,916
Net operating income	1,632,031	1,419,063	922,598
CURRENCY EXCHANGE AND TRANSACTION GAINS	(10,319)	(6,529)	(693)
OTHER EXPENSES/(INCOME) (including related party amounts of \$2,070, \$5,303 and \$6,161, respectively):			
Interest income	(24,828)	(21,792)	(18,076)
Interest expense, net of capitalized interest	132,474	107,956	106,551
Equity in net income of associates (Note 19)	(42,361)	(24,146)	(2,670)
Other expenses/(income), net	13,211	(9,310)	6,090
Total other expenses, net	78,496	52,708	91,895
Income before provision for income taxes and minority interest	1,563,854	1,372,884	831,396
PROVISION FOR INCOME TAXES (Note 14)	410,590	354,664	242,480
MINORITY INTEREST	26,859	30,342	71,677
NET INCOME	\$ 1,126,405	\$ 987,878	\$ 517,239
Weighted average number of common shares outstanding	1,986,819,999	1,984,497,348	1,983,374,949
Earnings per share, basic and diluted:			
Net income	\$ 0.57	\$ 0.50	\$ 0.26

The accompanying notes to consolidated financial statements
are an integral part of these consolidated statements.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share amounts)

	Common Stock		Treasury Stock		Other comprehensive income	Additional Paid-in Capital	Unearned Compensation	Shareholder Receivable	Retained Earnings	Total
	Shares	Amount	Shares	Amount						
BALANCES, January 1, 2003	<u>1,993,326,138</u>	<u>\$ 50,558</u>	<u>(9,966,631)</u>	<u>\$ (10,206)</u>	<u>\$ —</u>	<u>\$ 558,102</u>	<u>\$ (212)</u>	<u>\$ (34,412)</u>	<u>\$ 738,214</u>	<u>\$ 1,302,044</u>
Receivable from Sistema (Note 11):										
Increases for interest	—	—	—	—	—	807	—	(807)	—	—
Payments from Sistema	—	—	—	—	—	—	—	7,609	—	7,609
Issuance of stock options (Note 16)	—	—	—	—	—	1,002	(1,002)	—	—	—
Stock options exercised (Note 16)	—	—	37,557	9	—	—	—	—	—	9
Amortization of deferred compensation (Note 16)	—	—	—	—	—	—	345	—	—	345
Dividends declared (Note 1)	—	—	—	—	—	—	—	—	(110,931)	(110,931)
Translation adjustment	—	—	—	—	7,595	—	—	—	—	7,595
Net income	—	—	—	—	—	—	—	—	517,239	517,239
BALANCES, December 31, 2003	<u>1,993,326,138</u>	<u>\$ 50,558</u>	<u>(9,929,074)</u>	<u>\$ (10,197)</u>	<u>\$ 7,595</u>	<u>\$ 559,911</u>	<u>\$ (869)</u>	<u>\$ (27,610)</u>	<u>\$ 1,144,522</u>	<u>\$ 1,723,910</u>
Receivable from Sistema (Note 11):										
Increases for interest	—	—	—	—	—	1,190	—	(1,190)	—	—
Payments from Sistema	—	—	—	—	—	—	—	10,563	—	10,563
Issuance of stock options (Note 16)	—	—	—	—	—	1,811	(1,811)	—	—	—
Stock options exercised (Note 16)	—	—	2,726,966	2,801	—	1,248	—	—	—	4,049
Amortization of deferred compensation (Note 16)	—	—	—	—	—	—	900	—	—	900
Dividends declared (Note 1)	—	—	—	—	—	—	—	—	(218,826)	(218,826)
Translation adjustment	—	—	—	—	15,361	—	—	—	—	15,361
Change in fair value of interest rate swaps, net of tax	—	—	—	—	(512)	—	—	—	—	(512)
Net income	—	—	—	—	—	—	—	—	987,878	987,878
BALANCES, December 31, 2004	<u>1,993,326,138</u>	<u>\$ 50,558</u>	<u>(7,202,108)</u>	<u>\$ (7,396)</u>	<u>\$ 22,444</u>	<u>\$ 564,160</u>	<u>\$ (1,780)</u>	<u>\$ (18,237)</u>	<u>\$ 1,913,574</u>	<u>\$ 2,523,323</u>
Receivable from Sistema (Note 11):										
Increases for interest	—	—	—	—	—	643	—	(643)	—	—
Payments from Sistema	—	—	—	—	—	—	—	11,698	—	11,698
Issuance of stock options (Note 16)	—	—	—	—	—	907	(907)	—	—	—
Stock options exercised (Note 16)	—	—	1,801,622	1,862	—	2,394	—	—	—	4,256
Amortization of deferred compensation (Note 16)	—	—	—	—	—	—	1,477	—	—	1,477
Dividends declared (Note 1)	—	—	—	—	—	—	—	—	(401,240)	(401,240)
Translation adjustment	—	—	—	—	24,898	—	—	—	—	24,898
Change in fair value of interest rate swaps, net of tax	—	—	—	—	3,272	—	—	—	—	3,272
Net income	—	—	—	—	—	—	—	—	1,126,405	1,126,405
BALANCES, December 31, 2005	<u>1,993,326,138</u>	<u>\$ 50,558</u>	<u>(5,400,486)</u>	<u>\$ (5,534)</u>	<u>\$ 50,614</u>	<u>\$ 568,104</u>	<u>\$ (1,210)</u>	<u>\$ (7,182)</u>	<u>\$ 2,638,739</u>	<u>\$ 3,294,089</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars)

	Years ended December 31,		
	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,126,405	\$ 987,878	\$ 517,239
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest	26,859	30,342	71,677
Depreciation and amortization	907,113	675,729	415,916
Amortization of deferred connection fees	(44,207)	(46,978)	(29,372)
Equity in net income of associates	(42,361)	(24,146)	(2,670)
Inventory obsolescence expense	9,112	4,610	3,307
Provision for doubtful accounts	50,407	26,459	32,633
Deferred taxes	(64,959)	(76,023)	(43,001)
Non-cash expenses associated with stock bonus and stock options	1,477	900	213
Changes in operating assets and liabilities:			
Increase in accounts receivable	(86,008)	(101,223)	(64,384)
Increase in inventory	(74,557)	(24,179)	(14,737)
Increase in prepaid expenses and other current assets	(163,630)	(18,571)	(19,151)
Increase in VAT receivable	(125,186)	(55,044)	(50,230)
Increase in trade accounts payable, accrued liabilities and other current liabilities	276,915	331,835	148,544
Net cash provided by operating activities	1,797,380	1,711,589	965,984
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of subsidiaries, net of cash acquired	(178,917)	(355,744)	(667,206)
Purchases of property, plant and equipment	(1,757,980)	(1,204,400)	(839,165)
Purchases of intangible assets	(423,367)	(154,544)	(119,606)
Purchases of short-term investments	(37,375)	(114,440)	(215,000)
Proceeds from sale of short-term investments	82,724	286,340	—
Purchase of other investments	(150,000)	—	—
Payments from associates	12,245	—	—
Investments in and advances to associates	553	(413)	(69,110)
Net cash used in investing activities	\$ (2,452,117)	\$ (1,543,201)	\$ (1,910,087)

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars)

	Years ended December 31,		
	2005	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from stock options exercise	\$ 4,256	\$ 4,049	\$ —
Proceeds from issuance of notes	398,944	—	1,097,000
Repayment of notes	—	(600,000)	—
Notes and debt issuance cost	(59,163)	(12,039)	(9,556)
Capital lease obligation principal paid	(8,129)	(15,274)	(22,646)
Dividends paid including taxes	(407,210)	(232,662)	(110,864)
Proceeds from loans	1,012,613	1,177,556	712,716
Loan principal paid	(491,481)	(320,511)	(677,374)
Payments from Sistema	11,698	9,654	8,269
Net cash provided by financing activities	461,528	10,773	997,545
Effect of exchange rate changes on cash and cash equivalents	(2,657)	4,613	2,273
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS:	(195,866)	183,774	55,715
CASH AND CASH EQUIVALENTS, beginning of year	274,150	90,376	34,661
CASH AND CASH EQUIVALENTS, end of year	\$ 78,284	\$ 274,150	\$ 90,376
SUPPLEMENTAL INFORMATION:			
Income taxes paid	\$ 588,105	\$ 430,109	\$ 286,016
Interest paid	\$ 145,081	\$ 142,899	\$ 79,824
Non-cash investing activities:			
Additions to network equipment and software under capital lease	\$ 4,091	\$ 2,861	\$ 10,928
Payable related to business acquisition (Note 3)	\$ 23,618	\$ —	\$ 27,500
Additions to network through ING BHF Bank and Commerzbank AG financing (Note 11)	\$ —	\$ 8,800	\$ —

The accompanying notes to consolidated financial statements are an integral part of these statements.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

1. DESCRIPTION OF BUSINESS

Business of the Group—OJSC Mobile TeleSystems and its subsidiaries (“MTS” or “the Group”) is the leading provider of wireless telecommunication services in the Russian Federation (“RF”), Ukraine, Uzbekistan and Turkmenistan in terms of the number of subscribers and revenues. The Group has operated primarily in the GSM standard since 1994.

Open Joint-Stock Company Mobile TeleSystems (“MTS OJSC” or “the Company”) was created on March 1, 2000, through the merger of Closed Joint-Stock Company Mobile TeleSystems (“MTS CJSC”) and RTC CJSC, a wholly-owned subsidiary. MTS CJSC was formed in 1993 to design, construct and operate a cellular telecommunications network in Moscow and the Moscow region. The development of the network was achieved through green-field build-out in the regions for which the Company was granted 900 or 1800 MHz (“GSM-900” and “GSM-1800”) cellular licenses or through the acquisition of majority stakes in local GSM operators (see Note 21 Operating Licenses and Note 3 Businesses Acquired).

A part of the Company’s shares is traded in the form of American Depositary Shares (“ADS”). Each ADS initially represented 20 shares of common stock of the Company. Effective January 3, 2005, the first trading day in 2005, the ratio was changed from 1 ADS per 20 ordinary shares to 1 ADS per 5 ordinary shares. The Company initially issued a total of 17,262,204 ADS, representing 345,244,080 common shares. Subsequently, as described below, due to sales of shares by shareholders on the open market the number of ADS increased to 152,710,974 and 86,482,988 as of December 31, 2005 and 2004, respectively (representing underlying ownership of 763,554,870 and 432,414,940 shares as of December 31, 2005 and 2004, respectively).

Ownership—As of December 31, 2005 and 2004, MTS’ shareholders of record and their respective percentage direct interests were as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Joint-Stock Financial Corporation “Sistema” (“Sistema”)	41.7%	41.0%
T-Mobile Worldwide Holding GmbH (“T-Mobile”)	—	10.1%
VAST, Limited Liability Company (“VAST”)	3.0%	3.0%
Invest-Svyaz-Holding, Closed Joint-Stock Company	8.1%	8.1%
ADS Holders	38.4%	21.7%
Free float, GDR Holders and Others	8.8%	16.1%
	<u>100.0%</u>	<u>100.0%</u>

In March 2003, Sistema and T-Mobile (together, “the Shareholders”) entered into a call option agreement, pursuant to which T-Mobile granted Sistema the option to acquire from it 199,332,614 shares of MTS, representing 10.0% of outstanding common stock of MTS. On April 26, 2003, Sistema exercised its option with T-Mobile to purchase an additional 6.0% of the outstanding common stock of MTS and purchased T-Mobile’s 49.0% interest in Invest-Svyaz-Holding, bringing its interest in Invest-Svyaz-Holding to 100.0%. Concurrently with this transaction, T-Mobile sold its holding of 5.0% in MTS on the open market in the form of Global Depositary Receipts (“GDRs”) listed on the London Stock Exchange.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

1. DESCRIPTION OF BUSINESS (Continued)

In December 2004, T-Mobile sold a 15.09% stake in MTS on the open market in the form of GDR's. On September 12, 2005, T-Mobile sold its remaining holding of 10.1% in MTS on the open market. Concurrently GDRs were converted into the form of ADS, that increased the number of ADS.

At December 31, 2004, Sistema owned a 51.0% equity interest in VAST, a limited liability company incorporated under the laws of the Russian Federation; the remaining 49.0% interest was held by ASVT, a Russian open joint-stock company. Sistema's effective ownership in MTS was 50.6% at December 31, 2004. In December 2005, Sistema acquired the 49.0% stake in VAST bringing its total interest to 100.0%. Additionally Sistema acquired a 0.7% stake in MTS on the open market during 2005. Collectively, those transactions increased Sistema's effective ownership in MTS to 52.8% by December 31, 2005.

In April 2003, Sistema issued \$350.0 million 10.25% notes, due in 2008. These notes are collateralized by 193,473,900 shares of common stock of MTS OJSC.

On June 30, 2003, the Group approved cash dividends of \$1.12 per ADS (\$0.056 per share) for a total of \$111.0 million. As of December 31, 2004, these dividends were fully paid.

On November 28, 2003, common shares of MTS OJSC were included by the Board of Moscow Interbank Currency Exchange ("MICEX") into the MICEX "B" Quotation List.

On June 24, 2004, MTS' shareholders approved cash dividends of \$2.2 per ADS (\$0.110 per share) for a total of \$220.0 million, which were fully paid by December 31, 2004.

On June 22, 2005, MTS' shareholders approved cash dividends of \$1.01 per ADS (\$0.202 per share) for a total of \$402.6 million, which were fully paid by December 31, 2005.

On July 1, 2005, the Company completed a merger of eight of its wholly-owned subsidiaries in Russia. These subsidiaries were Telecom XXI, Kuban-GSM, Udmurtia Digital Network-900 ("UDN-900"), Dontelecom, MTS-Barnaul, MTS-Nizhniy Novgorod ("MTS-NN"), Telecom-900 and Amur Cellular Communication ("ACC"). The merger process was approved by an extraordinary general meeting of shareholders on November 9, 2004, and by the Russian registration authority on June 30, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Accounting principles—MTS maintains its accounting books and records in Russian rubles for its subsidiaries located in the Russian Federation ("RF"), in Ukrainian hryvnas for Ukrainian Mobile Communications ("UMC"), Uzbek som for Uzdurobita and Turkmenian manat for Barash Communications Technologies, Inc. ("BCTI") based on respective local accounting and tax legislations. The accompanying consolidated financial statements have been prepared in order to present MTS' financial position and its results of operations and cash flows in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are expressed in terms of U.S. dollars.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

The accompanying consolidated financial statements differ from the financial statements used for statutory purposes in that they reflect various adjustments, not recorded on the entities' books, which are appropriate to present the financial position, results of operations and cash flows in accordance with U.S. GAAP. The principal adjustments are related to revenue recognition, foreign currency translation, deferred taxation, consolidation, acquisition accounting and depreciation and valuation of property and equipment and intangible assets.

Basis of consolidation—Wholly-owned subsidiaries and majority-owned subsidiaries where the Company has operating and financial control are consolidated. Those ventures where the Company exercises significant influence, but does not have operating and financial control are accounted for using the equity method. All significant intercompany accounts and transactions are eliminated upon consolidation. Investments in which the Company does not have the ability to exercise significant influence over operating and financial policies are accounted for under the cost method and included in other investments in our consolidated balance sheets. The Company's share in net income of unconsolidated associates is included in other income in the accompanying consolidated statements of operations and disclosed in Note 19. Results of operations of subsidiaries acquired are included in the consolidated statements of operations from the date of their acquisition.

As of December 31, 2005 and 2004, MTS has investments in the following significant legal entities:

	<u>Accounting Method</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
ACC(2)	Merged/Consolidated	—	100.0%
Telecom XXI(2)	Merged/Consolidated	—	100.0%
Telecom-900(2)	Merged/Consolidated	—	100.0%
SCS-900	Consolidated	100.0%	100.0%
FECS-900	Consolidated	100.0%	100.0%
Uraltel	Consolidated	100.0%	99.8%
MTS Finance(1)	Consolidated	100.0%	100.0%
BM Telecom	Consolidated	100.0%	100.0%
Kuban-GSM(2)	Merged/Consolidated	—	100.0%
Dontelecom(2)	Merged/Consolidated	—	100.0%
MTS-Barnaul(2)	Merged/Consolidated	—	100.0%
BIT(3)	Consolidated	—	100.0%
MTS-Capital	Consolidated	100.0%	100.0%
UMC	Consolidated	100.0%	100.0%
Sibchallenge	Consolidated	100.0%	100.0%
TSS	Consolidated	100.0%	100.0%
Volgograd Mobile	Consolidated	100.0%	100.0%
Astrakhan Mobile	Consolidated	100.0%	100.0%
Mar Mobile GSM	Consolidated	100.0%	100.0%
Primtelefon	Consolidated	100.0%	100.0%

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

	<u>Accounting Method</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
MSS	Consolidated	91.0%	91.0%
ReCom	Consolidated	100.0%	53.9%
TAIF Telcom	Consolidated	100.0%	100.0%
UDN-900(2)	Merged/Consolidated	—	100.0%
Novitel	Consolidated	100.0%	100.0%
MTS-Kostroma	Consolidated	100.0%	100.0%
MTS-NN(2)	Merged/Consolidated	—	100.0%
Uzdunrobita	Consolidated	74.0%	74.0%
Sibintertelecom	Consolidated	100.0%	93.5%
Gorizont-RT	Consolidated	100.0%	76.0%
Telesot Alania	Consolidated	100.0%	52.5%
BCTI	Consolidated	100.0%	—
Sweet-Com	Consolidated	74.9%	—
MTS-Komi Republic	Consolidated/Equity	100.0%	26.0%
MTS Belarus	Equity	49.0%	49.0%
MTS-Tver	Consolidated/Equity	100.0%	26.0%

- (1) Represents beneficial ownership.
(2) Represents wholly-owned entities merged with MTS OJSC on July 1, 2005.
(3) Disposed of in 2005.

Translation methodology—Effective January 1, 2003, the Russian economy ceased to be considered hyperinflationary. Management believes that the U.S. dollar is the appropriate functional currency for most of its subsidiaries because the majority of their revenues, costs, property and equipment purchased, and debt are either priced, incurred, payable or otherwise measured in U.S. dollars. Each of the legal entities domiciled in Russia, Ukraine, Uzbekistan, Turkmenistan and Belarus maintains its records and prepares its financial statements in the local currency, either Russian ruble, Ukrainian hryvna, Uzbek som, Turkmenian manat or Belarusian ruble, in accordance with the requirements of local statutory accounting and tax legislation.

Translation (re-measurement) of financial statements denominated in local currencies into U.S. dollars has been performed in accordance with the provisions of Statement of Financial Accounting Standard (“SFAS”) No. 52 “Foreign Currency Translation”:

- For subsidiaries of the Group where the functional currency is the U.S. dollar, monetary assets and liabilities have been translated at the period end exchange rates. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows have been translated at historical rates. Translation differences resulting from the use of these rates have been accounted for as currency exchange and transaction gains and losses in the accompanying consolidated statements of operations.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

- For UMC, Kuban-GSM and BCTI where the functional currency is the local currency being the Ukrainian hryvna, Russian ruble and Turkmenian manat, respectively, all year-end balance sheet items have been translated into U.S. dollars at the period-end exchange rate. Revenues and expenses have been translated at period average exchange rate. In addition, a “new cost basis” for all non-monetary assets of Kuban-GSM has been established as of January 1, 2003, when the Russian economy ceased to be considered hyperinflationary. Cumulative translation adjustment related to use of local currency as functional in the amount of \$24,898, \$15,361 and \$7,595 were recorded directly in the consolidated statement of shareholders’ equity as at December 31, 2005, 2004 and 2003, respectively.

Management estimates—The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Examples of significant estimates include the allowance for doubtful accounts, the recoverability of intangible assets and other long-lived assets, and valuation allowances on deferred tax assets.

Cash and cash equivalents—Cash represents cash on hand and in MTS’ bank accounts and short-term investments having original maturities of less than three months.

Short-term investments—Short-term investments represent investments in time deposits, which have original maturities in excess of three months but less than twelve months. These investments are being accounted for at cost.

Allowance for doubtful accounts—MTS provides an allowance for doubtful accounts based on management’s periodic review for recoverability of accounts receivable from customers and other receivables.

Prepaid expenses—Prepaid expenses are primarily comprised of advance payments made for inventory and services to vendors.

Inventory—Inventory, accounted for at cost, determined by the first-in, first-out, or FIFO method, consists of telephones and accessories, held for sale, and spare parts, to be used for equipment maintenance within next twelve months, and other inventory items.

Telephones and accessories, held for sale, are written down to their market values based on specific periodic reviews and are expensed as cost of equipment sold.

Value-added tax (“VAT”)—Value-added tax related to sales is payable to the tax authorities on an accrual basis based upon invoices issued to the customer. VAT incurred for purchases may be reclaimed from the state, subject to certain restrictions, against VAT related to sales.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

Property, plant and equipment—Property, plant and equipment, including improvements that extend useful lives, are stated at cost. Property, plant and equipment with a useful life of more than one year is capitalized at historical cost and depreciated on a straight-line basis over its expected useful life as follows:

Network and base station equipment	5–12 years
Leasehold improvements	shorter of 8–10 years or lease term
Office equipment and computers	5 years
Buildings	50 years
Vehicles	4 years

Construction in progress and equipment held for installation is not depreciated until the constructed or installed asset is ready for its intended use.

Maintenance and repair costs are expensed as incurred, while upgrades and improvements are capitalized.

Interest expense incurred during the construction phase of the MTS’s network under development is capitalized as part of property, plant and equipment until the projects are completed and placed into service.

As a result of recent financial statement restatements by numerous U.S. public companies and publications of a letter by the Chief Accountant of the SEC regarding the interpretation of longstanding lease accounting principles, MTS corrected its accounting practices for leasehold improvements in the fourth quarter of 2004. The primary effect of this accounting correction was to accelerate to earlier periods depreciation expenses with respect to certain components of previously capitalized leasehold improvements.

These corrections resulted in a cumulative net charge to net income of \$34.9, net of income tax, million in the fourth quarter of 2004, of which \$21.5 million relates to the years 1998 through 2003. The net cumulative charge is comprised of a \$44.5 million increase in depreciation expense related primarily to depreciation of capitalized leasehold improvements expenses for base stations; a decrease of \$1.4 million in the equity net income from the MTS-Belarus also related to depreciation of capitalized leasehold improvements expense for base station sites; and an increase of \$11.0 million related to an additional deferred tax benefit due to the change in accounting base for property, plant and equipment.

All components of the net charge are non-cash and do not impact historical or future cash flows or the timing of payments under the related leases.

Asset retirement obligations—In accordance with Statement of Financial Accounting Standards, or SFAS, No. 143, “Accounting for Asset Retirement Obligations”, the Group calculates an asset retirement obligation and an associated asset retirement cost when the Group has a legal obligation in connection with the retirement of tangible long-lived assets. The Group’s obligations under SFAS No. 143 relate primarily to the cost of removing its equipment from sites. As of December 31, 2005, the estimated

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

assets retirement obligations were not significant to the Group's consolidated financial position and results of operations.

License costs—License costs are capitalized as a result of (a) purchase price allocated to licenses acquired in business combinations and (b) licenses purchased directly from government organizations, which require license payments.

Current operating licenses of the Group do not provide for automatic renewal upon expiration. As the Group and the industry do not have sufficient experience with the renewal of licenses, license costs are being amortized during the initial license period without consideration of possible future renewals, subject to periodic review for impairment, on a straight-line basis over three to ten years starting from the date such license becomes commercially operational.

Other intangible assets and goodwill—Intangible assets represent various purchased software costs, telephone numbering capacity, acquired customer base, rights to use radio frequencies and rights to use premises. A part of the rights to use premises was contributed by shareholders to the Group's charter capital. Telephone numbering capacity with finite contractual life are being amortized over the contract period which vary from five to ten years and the rights to use premises are being amortized over five to nine years. Amortization of numbering capacity costs starts immediately upon the purchase of numbering capacity. Telephone numbering capacity with unlimited contractual life is not amortized, but is reviewed, at least annually, for impairment in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142").

Software and other intangible assets are amortized over three to fifteen years. Acquired customer bases commencing January 1, 2005, are amortized over their estimated average subscriber life from 32 to 60 months. In 2004 the average subscriber life ranged from 20 to 76 months, the effect of change in estimate in 2005 was not material. Rights to use radio frequencies are amortized over the period of contractual life from three to fifteen years. All finite-life intangible assets are being amortized using the straight-line method.

Goodwill represents an excess of the cost of business acquired over the fair market value of identifiable net assets at the date of acquisition.

Goodwill is reviewed for impairment at least annually or whenever it is determined that one or more impairment indicators exist. The Group determines whether an impairment has occurred by assigning goodwill to the reporting unit identified in accordance with SFAS No. 142, and comparing the carrying amount of the reporting unit to the fair value of the reporting unit. If a goodwill impairment has occurred, the Group recognizes a loss for the difference between the carrying amount and the implied fair value of goodwill. To date, no impairment of goodwill has occurred.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

Leasing arrangements—The Group accounts for leases based on the requirements of SFAS No. 13, “Accounting for Leases.” Certain subsidiaries of the Group lease operating facilities, which include switches, base stations and other cellular network equipment as well as billing systems. For capital leases, the present value of future minimum lease payments at the inception of the lease is reflected as an asset and a liability in the balance sheet. Amounts due within one year are classified as short-term liabilities and the remaining balance as long-term liabilities.

Dealers commissions—dealers commissions represent the direct costs paid for each new subscriber enrolled through MTS’ independent dealers. MTS expenses these costs as incurred.

Investments impairment—Management periodically assesses the realizability of the carrying values of the investments and if necessary records impairment losses to write the investment down to fair value. For the three years in the period ended December 31, 2005, no such impairment has occurred.

Debt issuance costs—Debt issuance costs are amortized using the effective interest method over the terms of the related debt.

Impairment of long-lived assets—MTS periodically evaluates the recoverability of the carrying amount of its long-lived assets in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, MTS compares undiscounted net cash flows estimated to be generated by those assets to the carrying amount of those assets. When these undiscounted cash flows are less than the carrying amounts of the assets, MTS records impairment losses to write the asset down to fair value, measured by the estimated discounted net future cash flows expected to be generated from the use of the assets. No impairment of long-lived assets has occurred during the three years in the period ended December 31, 2005.

Subscriber prepayments—MTS requires the majority of its customers to pay in advance for telecommunication services. All amounts received in advance of service provided are recorded as a subscriber prepayment liability and are not recorded as revenues until the related services have been provided to the subscriber.

Revenue recognition—Revenues are recognized on an accrual basis, when services are actually provided or title to equipment passes to customer, regardless of when the resulting monetary or financial flow occurs.

MTS categorizes the revenue sources in the statements of operations as follows:

- Service revenue and connection fees: (a) subscription fees, (b) usage charge, (c) value added service fees, (d) roaming fees charged to other operators for guest roamers utilizing MTS’ network, (e) connection fees and (f) prepaid phone cards; and
- Sales of handsets and accessories.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

Subscription fees—MTS recognizes revenues related to the monthly network fees in the month that the wireless service is provided to the subscriber.

Usage charges and value added services fees—Usage charges consist of fees based on airtime used by subscriber, the destination of the call and the service utilized.

Value added service fees are based on usage of airtime or volume of data transmitted for value added services, such as short message services, internet usage and data services. MTS recognizes revenues related to usage charges and value added services in the period when services are rendered.

Roaming fees—MTS charges roaming per-minutes fees to other wireless operators for non-MTS subscribers utilizing MTS' network. MTS recognizes such revenues when the services are provided.

Connection fees—MTS defers initial connection fees on its prepaid and postpaid tariff plans from the moment of initial signing of the contract with subscribers and activation of value added services over the estimated average subscriber life. Prior to December 31, 2003, the Group estimated that the average expected term of the subscriber relationship ranged from 39 to 47 months.

Following management analysis of the subscriber base in the regions where the Group operates, effective January 1, 2004, average subscriber lives have been changed. Commencing January 1, 2004, the Group calculates an average expected term of the subscriber relationship for each region and amortizes regional connection fees accordingly. Average expected subscriber life ranged from 20 to 76 months in 2004 and from 12 to 60 months in 2005. The effect of change in estimate was approximately \$8.5 million, net of income tax or \$0.004 per share, in 2004 and not material in 2005.

Prepaid phone cards—MTS sells prepaid phone cards to subscribers, separately from the handset. These cards allow subscribers to make a predetermined allotment of wireless phone calls and/or take advantage of other services offered by the Group, such as short messages and sending or receiving faxes.

At the time that the prepaid phone card is purchased by a subscriber, MTS records the receipt of cash as a subscriber prepayment. The Group recognizes revenues from the sale of phone cards in the period when the subscriber uses airtime under the phone card. Unused airtime on sold phone cards is not recognized as revenues until the related services have been provided to the subscriber or the prepaid phone card expired.

In addition, MTS offers prepaid service tariff plans, whereby a customer may purchase a package that allows a connection to the MTS network and a predetermined allotment of wireless phone calls and/or other services offered by the Group. Revenues under these plans are allocated between connection fees and service fees based on their relative fair values.

Sales of handsets and accessories—MTS sells handsets and accessories to customers who are entering into contracts for service and also as separate distinct transactions. The Group recognizes revenues from the sale of handsets and accessories when title to the product passes to the customer. MTS records estimated returns as a direct reduction of sales at the time the related sales are recorded. The costs of

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

handsets and accessories, whether sold to subscribers through the distribution channel or as part of the service contract, are expensed when title passes to the customer.

In Ukraine, UMC also from time to time sells handsets at prices below cost. MTS recognizes these subsidies in cost of equipment when sale is recorded.

Expense recognition—Expenses incurred by MTS in relation to the provision of wireless communication services mainly relate to interconnection and line rental costs, roaming expenses, costs of handsets and other accessories sold, depreciation and amortization and maintenance of the network.

Calls made by subscribers from areas outside of territories covered by the Group licenses are subject to roaming fees charged by the wireless provider in those territories. These fees are recorded as roaming expenses, as MTS acts as the principal in the transaction with subscriber and bears the risk of non-collection from the subscriber. Roaming fees are charged to MTS subscribers based on Group's existing tariffs and are recorded as service revenues.

Any fees paid to dealers as commissions are recorded as a component of sales and marketing expenses.

Taxation—Deferred tax assets and liabilities are recognized for the expected future tax consequences of existing differences between financial reporting and tax reporting bases of assets and liabilities, and for the loss or tax credit carry-forwards using enacted tax rates expected to be in effect at the time these differences are realized. Valuation allowances are recorded for deferred tax assets for which it is more likely that these assets will not be realized.

Advertising costs—Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2005, 2004 and 2003, were \$248,610, \$159,035 and \$102,018, respectively, and are reflected as a component of sales and marketing expenses in the accompanying consolidated statements of operations.

Government Pension Fund—Subsidiaries of the Group contribute to the local state pension fund and social fund, on behalf of all its employees.

In Russia, starting from January 1, 2001, all social contributions, including contributions to the pension fund, were substituted with a unified social tax ("UST") calculated by the application of a regressive rate from 35.6% to 2% of the annual gross remuneration of each employee, that was changed, starting January 1, 2005, to a rate from 26% to 2%. UST is allocated to three social funds, including the pension fund, where the rate of contributions to the pension fund vary from 28% to 2% (from 20% to 2% starting January 1, 2005), depending on the annual gross salary of each employee. The contributions are expensed as incurred. Payments of the unified social tax in Russia amounted to \$43.6 million, \$33.7 million and \$27.8 million in 2005, 2004 and 2003, respectively.

In Ukraine, Uzbekistan and Turkmenistan, the subsidiaries of the Group are required to contribute a specified percentage of each employee payroll up to a fixed limit to the local pension fund, unemployment fund and social security fund. Payments to the Pension fund in Ukraine amounted to

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

\$6.6 million, \$2.9 million and \$1.7 million in 2005, 2004 and 2003 years, respectively. Amounts contributed to the Pension fund in Uzbekistan and Turkmenistan are not material.

The Group does not participate in any pension funds other than described above.

Earnings per share—Basic earnings per share (“EPS”) have been determined using the weighted average number of shares outstanding during the year. Diluted EPS reflect the potential dilutive effect of stock options granted to employees. There are 3,187,240, 3,530,970 and 4,797,410 stock options outstanding as at December 31, 2005, 2004 and 2003, respectively.

The following is the reconciliation of the share component for basic and diluted EPS with respect to the Group’s net income:

	December 31, 2005	December 31, 2004	December 31, 2003
Weighted average number of common share outstanding	1,986,819,999	1,984,497,348	1,983,374,949
Dilutive effect of stock options, as if exercised	290,040	1,168,573	1,727,131
Weighted average number of common shares and potential shares outstanding	<u>1,987,110,039</u>	<u>1,985,665,921</u>	<u>1,985,102,080</u>

Fair value of financial instruments—The fair market value of financial instruments, consisting of cash and cash equivalents, accounts receivable and accounts payable, which are included in current assets and liabilities, approximates the carrying value of these items due to the short term nature of these amounts. As of December 31, 2005, the \$400 million Notes due in 2008 have a fair value of 105.7% or \$423 million, the \$400 million Notes due in 2010 have a fair value of 104.6% or \$418 million and the \$400 million Notes due in 2012 have a fair value of 101.9% or \$408 million. As of December 31, 2005, the fair value of other fixed rate debt including capital lease obligations approximated its carrying value. The fair value of variable rate debt approximates carrying value.

Derivative Financial Instruments and Hedging Activities—From time to time, in its acquisitions the Group uses derivative instruments, consisting of put and call options on all or part of the minority stakes of acquired companies, to defer payment of the purchase price and provide optimal acquisition structuring. In addition, in December 2004, the Group entered into two variable-to-fixed interest rate swap agreements to manage its exposure to variability in expected future cash flows of its variable-rate long term debt, which is caused by interest rate fluctuations. The Group does not use derivatives for trading purposes.

The Group accounts for its derivative financial instruments following the provisions of SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities” and SFAS No. 149 “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” All derivatives are recorded as either assets or liabilities in the consolidated balance sheets and measured at their respective fair values. The Group’s interest rate swap agreements are designated as a cash flow hedge and the hedging relationship qualifies for hedge accounting. The effective portion of the change in fair value of interest rate swap agreements is,

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

accordingly, recorded in other comprehensive income and reclassified to interest expense in the same period that the related cash flows of the hedge transaction affect the interest expense. Changes in the fair value of other derivative instruments are recognized in net income as those instruments were not designated as hedges.

At the inception of the hedge and on a quarterly basis, the Group performs an analysis to assess whether changes in cash flows of its interest rate swap agreements are deemed highly effective in offsetting changes in cash flows of the hedged debt. If at any time the correlation assessment will indicate that the interest rate swap agreements are no longer effective as a hedge, the Group will discontinue hedge accounting and all subsequent changes in fair value will be recorded in net income. As of December 31, 2005 the hedge is highly effective. Approximately \$0.7 million is expected to be reclassified in net income during the next twelve months.

Comprehensive income—Comprehensive income is defined as net income plus all other changes in net assets from non-owner sources. The following is the reconciliation of other comprehensive income, net of tax for the years ended December 31, 2005, 2004 and 2003:

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003
Net Income	\$ 1,126,405	\$ 987,878	\$ 517,239
Translation Adjustment	24,898	15,361	7,595
Change in fair value of interest rate swaps, net of tax of \$1,033 and \$123 as of December 31, 2005 and 2004, respectively	3,272	(512)	—
Total Comprehensive Income	<u>\$ 1,154,575</u>	<u>\$ 1,002,727</u>	<u>\$ 524,834</u>

Stock-based compensation—MTS accounts for stock options issued to employees, non-employee directors and consultants following the requirements of SFAS No. 123, “Accounting for Stock-Based Compensation” and SFAS No. 148 “Accounting for Stock Based Compensation Transition and Disclosure, an amendment to FASB Statement No. 123.” Under the requirements of these statements, the Company elected to use intrinsic value of options on the measurement date as a method for accounting for compensation to employees and non-employee directors. Compensation to consultants is measured based on the fair value of options on the measurement date as determined using a binomial option-pricing model.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

If the Group had elected to recognize compensation costs based on the fair values of options at the date of the grant, net income and earning per share amounts would have been as follows:

	December 31, 2005	December 31, 2004	December 31, 2003
Net income as reported	\$ 1,126,405	\$ 987,878	\$ 517,239
Pro-forma effect of the application of fair value method of accounting	(1,716)	(1,078)	(727)
Pro-forma net income	<u>\$ 1,124,689</u>	<u>\$ 986,800</u>	<u>\$ 516,512</u>
Earnings per share—basic and diluted			
As reported	\$ 0.57	\$ 0.50	\$ 0.26
Pro-forma	\$ 0.57	\$ 0.50	\$ 0.26

Comparative information—Certain prior year amounts have been reclassified to conform to the current period presentation.

New and recently adopted accounting pronouncements—In March 2005, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143.” This Interpretation clarifies that the term “conditional asset retirement obligation” as used in FASB Statement No. 143, “Accounting for Asset Retirement Obligations”, refers to a legal obligation to perform an asset retirement activity, in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists to make a reasonable estimate of the fair value of the obligation. Interpretation No. 47 is effective for the Group beginning January 1, 2006. The Group is currently assessing the impact of Interpretation No. 47 on its consolidated financial position and results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised) “Share-Based Payment” (SFAS No. 123R), which requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value. In April 2005, the Securities and Exchange Commission announced that it would provide a phased-in implementation process for SFAS No. 123R. As a result of this phased-in process, the provisions of SFAS No. 123R must be adopted by most public entities no later than the beginning of the first fiscal year commencing after June 15, 2005. SFAS No. 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. Effective for the fiscal year beginning January 1, 2006, the Company will adopt the provisions of SFAS No. 123R using a modified version of prospective application. Under this transition method, compensation cost will be recognized on or after the effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant date fair value of those awards previously calculated under SFAS No. 148 for pro forma disclosures. The

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(Continued)

Company does not expect the adoption of SFAS No. 123R to have a material impact on its consolidated financial position or results of operations.

In March 2005, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin (“SAB”) No. 107, “Share Based Payment” (“SAB 107”). SAB 107 summarizes the views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provides the staff’s views regarding the valuation of share-based payment arrangements for public companies. The Group will adopt SAB 107 concurrently with the adoption of SFAS 123(R) with effect from January 1, 2006. The Company does not expect the adoption of this SAB to have a material impact on its consolidated financial position or results of operations.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, “Accounting Changes and Error Corrections” (“SFAS No. 154”), which replaces APB Opinion No. 20, “Accounting Changes” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements”. SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle and is applicable to all voluntary changes and to changes required by an accounting pronouncement if such pronouncement does not specify transition provisions. SFAS No. 154 requires retrospective application to the prior periods’ financial statements of changes in accounting principle. In cases when it is impracticable to determine the period-specific or cumulative effects of an accounting change, the statement provides that the new accounting principle should be applied as of the earliest period for which retrospective application is practicable or, if impracticable to determine the effect of a change to all prior periods, prospectively from the earliest date practicable. This Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In June 2005, the Emerging Issues Task Force (“EITF”) reached a consensus on EITF Issue No. 05-6, “Determining the Amortization Period for Leasehold Improvements.” As part of a business combination, the acquiring entity will often assume existing lease agreements of the acquired entity and acquire the related leasehold improvements. The issues are whether the “lease term” should be reevaluated at consummation of a purchase business combination and whether the amortization period for acquired leasehold improvements should be reevaluated by the acquiring entity in a business combination. The consensus reached by EITF No. 05-6 is effective for leasehold improvements that are purchased or acquired in reporting periods beginning June 29, 2005. The adoption of EITF No. 05-6 did not have a material impact on the Group’s financial position and results of operations.

In October 2005, the FASB issued FASB Staff Position (“FSP”) FAS 13-1, “Accounting for Rental Costs Incurred during a Construction Period”. Under the provisions of FSP FAS 13-1, lessees may not capitalize rental costs incurred on building or ground operating leases during a construction period. Instead, rental costs should be expensed on a straight-line basis starting at the beginning of the lease term, i.e., when the lessee takes possession of or is given control of the leased property. The provisions of FSP FAS 13-1 are effective starting with the first reporting period beginning after December 15, 2005. The Group is currently assessing the impact of FSP FAS 13-1 on its consolidated financial position and results of operations.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED

BCTI acquisition—In June 2005, MTS entered into an agreement to acquire 100.0% of the outstanding stock of BCTI, which is a leading cellular operator in Turkmenistan with a customer base of approximately 59,100 subscribers (unaudited). BCTI holds a license to provide GSM-900/1800 services for the whole territory of Turkmenistan and a license for provision of AMPS services. The agreement provided for the acquisition of a 51.0% stake and included a forward commitment to complete the acquisition of the remaining 49.0% stake within eight months of the date of the original agreement subject to certain conditions.

MTS acquired the 51.0% stake in BCTI for cash consideration of \$28.2 million, including a finder's fee of \$2.5 million. The Group accounted for the purchase of the remaining 49.0% stake in BCTI as a financing of the minority interest and, consequently, consolidated 100.0 % of the subsidiary starting from July 1, 2005. In November 2005, MTS completed the acquisition of the remaining 49.0% stake in BCTI for a cash consideration of \$18.5 million.

This acquisition was accounted for using the purchase method of accounting. Total purchase price amounted to \$46.7 million. The purchase price allocation for the acquisition was as follows:

Current assets	\$ 7,808
Non-current assets	3,804
License costs	50,503
Deferred taxes	(10,862)
Current liabilities	(4,566)
Purchase price	<u>\$ 46,687</u>

In accordance with certain provisions of the license agreement with the Government of Turkmenistan (“the Government”), the Group shares net profit derived from the operations of the BCTI branch located in Turkmenistan. The amount of shared net profit is calculated based on the financial statements prepared in accordance with local GAAP subject to certain adjustments. The Group shared 49% of net profit since the date of acquisition and until December 21, 2005, and 20% of net profit commencing December 21, 2005.

ReCom acquisition—In December 2005, MTS purchased the remaining 46.1% stake in ReCom for \$110.0 million. Previously MTS owned 53.9% of ReCom; as a result of the transaction, MTS' ownership in the subsidiary increased to 100.0%. The acquisition was accounted for using the purchase method of accounting. The allocation of purchase price increased recorded license cost by \$43.9 million, customer base cost by \$15.0 million and resulted in recognition of goodwill in the amount of \$16.2 million.

Goodwill is mainly attributable to economic potential of the market assuming low regional penetration level as of the date of acquisition. License costs are amortized over the remaining contractual terms of the licenses of approximately 3 to 8 years and customer base is amortized over the average subscriber's life of approximately 60 months.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

Gorizont-RT acquisition—In December 2004, MTS completed the acquisition of a 76.0% stake in Gorizont-RT, a mobile phone operator in the Republic of Sakha (Yakutia) in the Far East of Russia, for cash consideration of \$53.2 million. Gorizont-RT holds licenses to provide GSM-900/1800 services in the Republic of Sakha (Yakutia). The Gorizont-RT's customer base as at the date of acquisition was approximately 100,000 subscribers (unaudited). Commencing from the date of acquisition, MTS consolidates financial results of Gorizont-RT.

The acquisition was accounted for using the purchase method. The purchase price allocation was as follows:

Current assets	\$ 3,820
Non-current assets	17,501
License costs	26,362
Customer base cost	1,050
Trade mark	153
Goodwill	20,214
Current liabilities	(4,949)
Non-current liabilities	(529)
Deferred taxes	(6,814)
Minority interest	(3,604)
Purchase price	<u>\$ 53,204</u>

Goodwill is mainly attributable to economic potential of the market assuming low regional penetration level as of the date of acquisition. License costs are amortized over the remaining contractual terms of the licenses of approximately 10 years and customer base is amortized over the average subscriber's life of approximately 60 months.

In June 2005, MTS acquired the remaining 24.0% stake in Gorizont-RT, increasing its ownership to 100.0%. The purchase price paid was \$13.5 million. The acquisition was accounted for using the purchase method of accounting. The allocation of purchase price increased recorded license cost by \$7.5 million.

Sibintertelecom acquisition—In November 2004, MTS acquired a 93.53% stake in Sibintertelecom, mobile phone operator in Chita region and Aginsk-Buryatsk District in the Far-East of Russia, for cash consideration of \$37.4 million. Sibintertelecom holds license to provide 900 MHz services in Chita region and Aginsk-Buryatsk District in the Far-East of Russia. Sibintertelecom is the sole mobile service provider in two regions with a total population of 1.23 million. Commencing from the date of acquisition, MTS consolidates financial results of Sibintertelecom. The company's customer base as at the date of acquisition was approximately 100,000 subscribers (unaudited).

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

The acquisition was accounted for using the purchase method of accounting. The purchase price allocation was as follows:

Current assets	\$ 5,939
Non-current asset	6,966
License costs	29,555
Customer base cost	1,488
Trademark	465
Goodwill	10,376
Current liabilities	(9,523)
Deferred taxes	(7,668)
Minority interest	(190)
Purchase price	<u>\$ 37,408</u>

Goodwill is mainly attributable to economic potential of the market assuming low regional penetration level as of the date of acquisition. License costs are amortized over the remaining contractual terms of the licenses of approximately 5 years for Chita region and 7 years for Aginsk-Buryatsk District and customer base is amortized over the average subscriber's life of approximately 44 months.

In December 2005, MTS acquired the remaining 6.47% stake in Sibintertelecom, which resulted in increase of MTS' ownership in Sibintertelecom to 100.0%. The amount paid for the stake amounted to \$2.8 million. The acquisition was accounted for using the purchase method of accounting. The allocation of purchase price increased recorded license cost by \$1.4 million.

Telesot Alania acquisition—In December 2004, MTS purchased a 52.5% stake in Telesot Alania, a GSM mobile phone operator in the Republic of North Ossetia in the Southern part of Russia, for cash consideration of \$6.2 million. Telesot Alania holds license to provide 1800/900 MHz services in the Republic of North Ossetia in the Southern part of Russia. Commencing from the date of acquisition, MTS consolidates financial results of Telesot Alania. Telesot Alania's customer base as at the date of acquisition was approximately 54,000 subscribers (unaudited).

The acquisition was accounted for using the purchase method of accounting. The purchase price allocation was as follows:

Current assets	\$ 2,229
Non-current assets	5,085
License costs	3,606
Customer base cost	90
Current liabilities	(767)
Deferred taxes	(887)
Minority interest	(3,110)
Purchase price	<u>\$ 6,246</u>

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

License costs are amortized over the remaining contractual terms of the licenses of approximately 2 years and customer base is amortized over the average subscriber's life of approximately 60 months.

In December 2005, MTS acquired the remaining 47.5% stake in Telesot Alania, increasing its ownership in the company to 100.0%. In accordance with the purchase agreement the purchase price amounted to \$32.6 million of which \$9.0 million was paid in cash in December 2005 and \$23.6 million was recorded as liability as of December 31, 2005, and included in other payables in the consolidated balance sheet. The liability was fully settled in February 2006. The acquisition was accounted for using the purchase method of accounting. The preliminary allocation of purchase price increased recorded license cost by \$2.7 million and \$26.3 million was recognized as goodwill. Goodwill is mainly attributable to economic potential of the market assuming low regional penetration level as of the date of acquisition. The purchase price allocation for this acquisition has not been yet finalized at the date of these financial statements.

Uzdunrobita acquisition—In July 2004, MTS entered into an agreement to acquire 74.0% of Uzbekistan mobile operator JV Uzdunrobita ("Uzdunrobita") for a cash consideration of \$126.4 million, including transaction costs of \$5.4 million. The acquisition was completed on August 1, 2004, and starting from this date Uzdunrobita's financial results are consolidated. Uzdunrobita holds licenses to provide GSM-1800 mobile communication services on the whole territory of Uzbekistan, which has a population of approximately 25.2 million. Uzdunrobita's customer base as of the date of acquisition was approximately 230,000 subscribers (unaudited).

The acquisition was accounted for using the purchase method. The purchase price allocation for the acquisition was as follows:

Current assets	\$ 5,950
Non-current assets	67,293
License costs	40,861
Customer base cost	958
Trademark	3,622
Goodwill	46,470
Current liabilities	(14,705)
Non-current liabilities	(1,356)
Deferred taxes	(6,384)
Minority interest	(16,308)
Purchase price	<u>\$ 126,401</u>

Goodwill is mainly attributable to economic potential of the market assuming low penetration level as of the date of acquisition. License costs are amortized over the remaining contractual terms of the licenses of approximately 12 years and customer base is amortized over the average remaining subscriber's life of approximately 39 months.

MTS also entered into call and put option agreements with the existing shareholders of Uzdunrobita to acquire the remaining 26.0% of common shares of the company. The exercise period for the call and put

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

option is 48 months from the acquisition date. The call and put option agreements stipulate a minimum purchase price of \$37.7 million plus 5% per annum commencing from the acquisition date. Fair value of the option was \$5.9 million and \$4.0 million at December 31, 2005 and 2004, respectively, and was included in other current assets on the accompanying consolidated balance sheets.

Primtelefon acquisition—In June 2004, MTS purchased 50.0% of Far-Eastern operator CJSC Primtelefon (“Primtelefon”) for cash consideration of \$31.0 million, increasing its effective ownership to 100.0%, as 50.0% of Primtelefon’s shares were controlled through Vostok Mobile, a wholly-owned subsidiary of MTS. Commencing from the date of acquisition of the second stake, MTS consolidates financial results of Primtelefon. Primtelefon holds licenses to provide GSM 900/1800 mobile cellular communications in the Far-East region of Russia. The company’s subscriber base as of the date of acquisition of the controlling stake was approximately 216,000 subscribers (unaudited).

The acquisition was accounted for using the purchase method. The purchase price allocation was as follows:

Current assets	\$ 11,041
Non-current assets	16,809
License costs	21,891
Current liabilities	(7,488)
Non-current liabilities	(5,671)
Deferred taxes	(5,582)
Purchase price	<u>\$ 31,000</u>

License costs acquired are amortized over the remaining contractual terms of the licenses of approximately 7 years and customer base is amortized over the average remaining subscriber’s life of approximately 41 months.

Telecom-900 acquisition—On August 13, 2003, Telecom-900, a subsidiary of MTS, completed the purchase of the 43.7% and 2.95% stakes in Uraltel for a cash consideration of \$35.7 million. The transaction increased Telecom-900’s ownership in Uraltel to 99.85%. The acquisition was accounted using purchase method of accounting. The allocation of purchase price increased recorded license cost by \$24.5 million.

In November 2003, the Group completed the purchase of the 30.0% stake in SCS-900 from Sibirtelecom for cash consideration of \$28.6 million. The Group’s acquisition of this stake increased its ownership in SCS-900 to 81.0%. On December 29, 2003, the Group acquired for cash consideration of \$9.3 million a 100.0% stake in ILIT LLC, a company which owns a 7.5% stake in SCS-900, increasing its ownership in SCS-900 to 88.5%. The acquisition was accounted using purchase method of accounting. The allocation of purchase price increased recorded license cost by \$25.7 million.

In March 2004, the Group acquired 11.0% stake in SCS-900 from CJSC Sibirskie Zvezdy for cash consideration of \$8.5 million, increasing its ownership in SCS-900 to 99.5%. The acquisition was accounted

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

for using a purchase method of accounting. The allocation of purchase price increased recorded license cost by \$2.6 million.

In April 2004, the Group acquired 40.0% stake in FECS-900 from OJSC Dalnevostochnaya Kompaniya Electrosvyazi for cash consideration of \$8.3 million, increasing its ownership in FECS-900 to 100.0%. The acquisition was accounted for using a purchase method of accounting. The allocation of purchase price increased recorded license cost by \$4.1 million.

License costs are amortized over the remaining contractual terms of the respective license, ranging from 6 to 10 years at the date of the first acquisition. Customer base is amortized over the average remaining subscribers life ranging from 32 to 40 months.

Tomsk Cellular Communications acquisition—In September 2003, MTS purchased 100.0% of Siberian operator Tomsk Cellular Communications (“TSS”) for cash consideration of \$47.0 million. TSS holds licenses to provide GSM 900/1800 mobile cellular communications in the Tomsk region. The company’s customer base as of the date of acquisition was approximately 183,000 subscribers (unaudited).

The acquisition was accounted for using the purchase method. The purchase price allocation was as follows:

Current assets	\$ 3,299
Non-current assets	11,412
License costs	49,282
Current liabilities	(4,543)
Non-current liabilities	(105)
Deferred taxes	(12,345)
Purchase price	<u>\$ 47,000</u>

License costs acquired are amortized over the remaining contractual terms of the licenses of approximately 8 years and customer base is amortized over the average remaining subscribers life of approximately 76 months.

Sibchallenge acquisition—On August 22, 2003, MTS completed the purchase of 100.0% of Sibchallenge, a cellular operator in the Krasnoyarsk region, for cash consideration of \$45.5 million, paid a finder’s fee of \$2.0 million and assumed net debt of approximately \$6.6 million. Sibchallenge holds licenses to provide GSM 900/1800 and DAMPS mobile services in the Krasnoyarsk region of Siberia, the Republic of Khakasiya, and in the Taimyr Autonomous region, all of which are located in the Siberian part of Russia. At the date of acquisition, Sibchallenge had approximately 132,000 subscribers (unaudited).

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

The purchase price allocation was as follows:

Current assets	\$ 4,078
Non-current assets	16,678
License costs	52,625
Current liabilities	(6,405)
Non-current liabilities	(6,628)
Deferred taxes	(12,894)
Purchase price	<u>\$ 47,454</u>

License costs acquired are amortized over the remaining contractual terms of the licenses of approximately 8 years and customer base is amortized over the average remaining subscribers life of approximately 36 months.

UMC acquisition—On March 4, 2003, MTS acquired 57.7% of the outstanding voting interest of UMC, a provider of mobile services in Ukraine, for cash consideration of \$199.0 million, including the acquisition of 16.3% of the outstanding voting interest from Deutsche Telekom AG, a related party, for \$55.0 million. Acquisition costs relating to the transaction of \$1.4 million were capitalized. In connection with the acquisition, MTS also assumed debt of UMC with face value of approximately \$65.0 million, with the fair value of approximately \$62.0 million. At the date of acquisition, UMC had approximately 1.8 million subscribers (unaudited) and was one of the two leading mobile operators in Ukraine, operating under nationwide GSM 900/1800 and NMT 450 licenses.

The acquisition was accounted for using the purchase method. For convenience, MTS consolidated UMC from March 1, 2003. Purchase price allocation is as follows:

Current assets	\$ 82,293
Non-current assets	272,721
License costs	82,200
Customer base cost	30,927
Current liabilities	(63,551)
Non-current liabilities	(78,580)
Deferred taxes	(27,425)
Minority interest	(99,581)
Purchase price	<u>\$ 199,004</u>

MTS paid \$171.5 million of the purchase price in cash and agreed to pay the balance of the purchase price of \$27.5 million to Cetel B.V., a wholly-owned subsidiary of Deutsche Telekom AG, within one year. The amount payable accrued interest of 9.0% per annum. In March 2004, MTS cash settled the balance payable to Cetel B.V.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

MTS also had an option agreement with Ukrtelecom to purchase its remaining 26.0% stake in UMC, exercisable from February 5, 2003 to November 5, 2005, with an exercise price of \$87.6 million. On June 4, 2003, MTS exercised its call option. As a result of the transaction, MTS' ownership in UMC increased from 57.7% to 83.7%. The acquisition was accounted for using purchase method of accounting. The allocation of purchase price increased recorded license cost by \$10.2 million, increased customer base cost by \$13.9 million, and decreased minority interest by \$66.4 million.

In addition, MTS entered into a put and call option agreement with TDC Mobile International A/S ("TDC") for the purchase of its 16.3% stake in UMC. The exercise period of the call option was from May 5, 2003 to November 5, 2004, and the put option was exercisable from August 5, 2003 to November 5, 2004. The call option price was \$85.0 million plus interest accrued from November 5, 2002 to the date of the exercise at 11% per annum; the price of the put option was calculated based on reported earnings of UMC prior to the exercise and was subject to a minimum amount of \$55.0 million. On June 25, 2003, MTS notified TDC of its intent to exercise its rights under the put and call option agreement. The purchase was completed during July 2003. MTS paid cash consideration of approximately \$91.7 million to purchase the remaining 16.3% stake in UMC. The acquisition was accounted for using purchase method of accounting. The allocation of purchase price increased recorded license cost by \$52.7 million, increased customer base cost by \$8.7 million, and decreased minority interest by \$43.8 million.

The UMC license costs are amortized over the remaining contractual terms of the licenses of approximately 9 to 13 years at the date of the acquisition, acquired customer base is amortized over the average remaining subscriber's life of approximately 32 months. Other acquired intangible assets, represented mostly by software, are amortized over their respective useful lives of 3 to 10 years.

In accordance with SFAS No. 141 "Business Combinations," the Group recognized \$8.0 million of goodwill relating to workforce-in-place.

TAIF Telecom acquisition—In April 2003, MTS acquired 51.0% of the common shares of TAIF Telecom, a Russian open joint-stock company, for cash consideration of \$51.0 million and 50.0% of the preferred shares of TAIF Telecom for cash consideration of \$10.0 million. In May 2003, MTS acquired an additional 1.7% of the common shares of TAIF Telecom for cash consideration of \$2.3 million. In connection with the acquisitions, MTS also assumed indebtedness of approximately \$16.6 million that was collateralized by telecom equipment.

MTS also entered into call and put option agreements with the existing shareholders of TAIF Telecom to acquire the remaining 47.3% of common shares and 50.0% of preferred shares of TAIF Telecom. The exercise period for the call option on common shares was 48 months from the acquisition date and for the put option on common shares was 36 months following an 18 months period after the acquisition date. The call and put option agreements for the common shares stipulated a minimum purchase price of \$49.0 million plus 8% per annum commencing from the acquisition date. The exercise period for the call option on preferred shares was 48 months following a 24 months period after the acquisition date and for the put option on preferred shares it was a 24 months period after the acquisition date. The call and put option agreements for the preferred shares stipulated a minimum purchase price of \$10.0 million plus 8% per

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

annum commencing from the acquisition date. Fair value of the option was \$3.5 million at December 31, 2003.

The purchase price allocation for initial stake acquired was as follows:

Current assets	\$ 3,870
Non-current assets	48,391
License costs	68,407
Current liabilities	(26,099)
Non-current liabilities	(5,550)
Deferred taxes	(16,814)
Minority interest	(8,965)
Purchase price	<u>\$ 63,240</u>

License costs acquired are amortized over the remaining contractual terms of the licenses of approximately 4 years and customer base is amortized over the average remaining subscribers' life of approximately 38 months.

TAIF Telecom provides mobile services in the GSM-900/1800 standard in the Republic of Tatarstan and in the Volga region of Russia. At the date of acquisition, TAIF Telecom had approximately 240,000 subscribers (unaudited).

In September 2004, MTS exercised its option to acquire the remaining 47.3% of common shares and 50.0% of preferred shares in TAIF Telecom for cash consideration of \$63.0 million, increasing its ownership to 100.0%. The Group received title to the acquired shares in October 2004. The purchase price allocation increased recorded license cost by \$35.8 million, increased acquired customer base by \$4.2 million; goodwill was recorded in the amount of \$21.2 million. Goodwill is mainly attributable to economic potential of the market.

Acquisitions of various regional companies—In August 2003, the Group reached an agreement to acquire, in a series of related transactions, equity interests in five Russian regional mobile phone operators from MCT Corporation for a total of \$71.0 million. The Group agreed to purchase a 43.7% stake in Uraltel (described above) and 100.0% of Vostok Mobile BV, which holds a 50.0% stake in Primtelefon.

The Group also agreed to purchase Vostok Mobile South, which holds 50.0% stakes in Astrakhan Mobile and Volgograd Mobile, as well as an 80.0% stake in Mar Mobile GSM. The Group also entered into agreements to acquire the remaining 20.0% of Mar Mobile GSM and another 2.95% stake in Uraltel from existing shareholders unrelated to MCT Corporation for approximately \$1.0 million.

On August 26, 2003, the Group completed the acquisition of Vostok Mobile and recorded a 50.0% stake investment in Primtelefon using equity method of accounting.

On October 14, 2003, the Group completed the purchase of Vostok Mobile South and thus acquired a 50.0% stake in Volgograd Mobile and Astrakhan Mobile and an 80.0% stake in Mar Mobile GSM. Also,

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

in a separate transaction the Group completed the acquisition of the remaining 20.0% stake in Mar Mobile GSM from existing shareholders unrelated to MCT Corporation, thus consolidating a 100.0% ownership in the company.

In August 2004, MTS acquired from UTK the remaining 50.0% stakes in Astrakhan Mobile and Volgograd Mobile, increasing its ownership to 100.0%. An acquisition price was paid in cash and amounted to \$1.1 million and \$2.9 million, respectively. Commencing from the date of acquisition financial results of both companies are consolidated into MTS financial statements. Astrakhan Mobile holds a 800/1800 MHz licenses covering Astrakhan region (population of approximately 1 million) and Volgograd Mobile holds a 800/1800 MHz licenses covering Volgograd region (population of approximately 2.7 million). As of July 31, 2004, two companies provided AMPS/DAMPS services to around 10 thousand subscribers (unaudited). The acquisition was accounted for using a purchase method of accounting. The allocation of purchase price for the first and second stakes in both companies resulted in increase in license cost by \$16.5 million.

In April 2004, MTS acquired from OJSC Sibirtelecom additional 7.5% stake in MSS, a company, which operates in the Omsk region, for \$2.2 million in cash. This acquisition increased MTS's ownership in MSS to 91.0%. The acquisition was accounted for using a purchase method of accounting. The allocation of purchase price increased recorded license cost by \$1.1 million.

In April and May of 2004, MTS acquired the remaining stakes in the following subsidiaries:

- 35.0% of MTS-NN (a service provider in Nizhny Novgorod) for \$0.5 million, and
- 49.0% of Novitel (handsets dealer in Moscow) for \$1.3 million.

Both acquisitions increased MTS's share in the respective companies to 100.0%. The acquisitions were accounted for using a purchase method of accounting. The allocation of purchase price increased recorded goodwill by \$1.8 million.

In August 2004, MTS acquired from OJSC Volgatelecom remaining 49.0% stake in UDN-900 for \$6.4 million in cash. This acquisition increased MTS's ownership in UDN to 100.0%. The allocation of purchase price increased recorded license cost by \$0.3 million. UDN-900 provides GSM 900 services under the MTS brand in Udmurtia Republic (population 1.6 million). UDN's subscriber base as of July 31, 2004 was 219,760 (unaudited).

In February 2005, MTS completed the acquisition of 74.9% stake in Sweet-Com LLC for cash consideration of \$2.0 million. Sweet-Com LLC is a holder of 3.5GHz radio frequency allocation for Moscow region. The Company is providing wide-band radio access services for the "last mile" based on the Radio-Ethernet technology. The acquisition was accounted for using purchase method of accounting. As the result of the purchase price allocation license cost was increased by \$2.4 million.

In February 2005, MTS acquired 74.0% stake in MTS-Komi Republic increasing its ownership to 100.0%. The consideration paid under the transaction amounted to \$1.2 million. The acquisition was accounted for using the purchase method of accounting.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

3. BUSINESSES ACQUIRED (Continued)

In December 2005, MTS acquired an additional 74.0% stake in MTS-Tver for \$1.4 million. As a result of the transaction, MTS' ownership in the company increased to 100.0%. The acquisition was accounted for using the purchase method of accounting.

Pro forma results of operations (unaudited)—The following unaudited pro forma financial data for the years ended December 31, 2005 and 2004, give effect to the acquisitions of BCTI and other various regional companies as if they had occurred at January 1, 2004.

	December 31, 2005	December 31, 2004
Pro forma:		
Net revenues	\$ 5,038,735	\$ 3,919,782
Net operating income	1,642,363	1,419,518
Net income	1,128,567	980,416
Earnings per share, basic and diluted	\$ 0.57	\$ 0.49

The pro forma information is based on various assumptions and estimates. The pro forma information is not necessarily indicative of the operating results that would have occurred if the Group acquisitions had been consummated as of January 1, 2004, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual results of operations of these companies are included in the consolidated financial statements of the Group only from the respective dates of acquisition.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2005 and 2004 comprised the following:

	December 31, 2005	December 31, 2004
U.S. dollar current accounts	\$ 4,599	\$ 107,172
U.S. dollar time deposits	751	45,295
Ruble current accounts	46,119	90,527
Ruble deposits	6,775	2,596
Hryvna current accounts	4,540	10,190
Uzbek som current accounts	920	715
Uzbek som deposit accounts	3,812	15,106
Turkmenian manat current accounts	10,651	—
Other	117	2,549
Total cash and cash equivalents	<u>\$ 78,284</u>	<u>\$ 274,150</u>

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

5. SHORT-TERM INVESTMENTS

Short-term investments, denominated in U.S. dollars, as of December 31, 2005 comprised the following:

	<u>Annual interest rate</u>	<u>Maturity date</u>	<u>December 31, 2005</u>
East-West United Bank S.A.	2.0%	February 15, 2006	23,100
Other			4,959
Total short-term investments			<u>\$ 28,059</u>

In 2005, the deposit agreement with East-West United Bank S.A., a related party, whose shareholder is Sistema, was amended to change the maturity date from April 2005 to February 2006.

Short-term investments, denominated in U.S. dollars, as of December 31, 2004 comprised the following:

	<u>Annual interest rate</u>	<u>Maturity date</u>	<u>December 31, 2004</u>
OJSC Moscow Bank of Reconstruction and Development	8.4%	December 9, 2005	\$ 30,000
East-West United Bank S.A.	2.0%	April 4, 2005	23,100
OJSC Moscow Bank of Reconstruction and Development	8.4%	October 10, 2005	10,000
OJSC Moscow Bank of Reconstruction and Development	8.4%	December 14, 2005	10,000
Other			260
Total short-term investments			<u>\$ 73,360</u>

OJSC Moscow Bank of Reconstruction and Development is a related party (see also Note 17 Related parties).

6. TRADE RECEIVABLES, NET

Trade receivables as of December 31, 2005 and 2004 were as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Accounts receivable, subscribers	\$ 147,138	\$ 113,869
Accounts receivable, roaming	30,863	24,731
Accounts receivable, other	71,238	40,584
Allowance for doubtful accounts	(39,919)	(16,659)
Trade receivables, net	<u>\$ 209,320</u>	<u>\$ 162,525</u>

The following table summarizes the changes in the allowance for doubtful accounts for the year ended December 31, 2005, 2004 and 2003:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Balance, beginning of the year	\$ 16,659	\$ 13,698	\$ 6,270
Provision for doubtful accounts	50,407	26,459	32,633
Accounts receivable written off	(27,147)	(23,498)	(25,205)
Balance, end of the year	<u>\$ 39,919</u>	<u>\$ 16,659</u>	<u>\$ 13,698</u>

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

7. INVENTORY AND SPARE PARTS

Inventory as of December 31, 2005 and 2004 comprised the following:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Spare parts for base stations	\$ 48,998	\$ 14,775
Handsets and accessories	39,147	30,574
Other inventory	68,515	44,169
Total inventory and spare parts	<u>\$ 156,660</u>	<u>\$ 89,518</u>

Other inventory mainly consists of SIM cards and advertising materials. Obsolescence expense for the years ended December 31, 2005, 2004 and 2003 amounted to \$9,112, \$4,610, and \$3,307, respectively, and was included in general and administrative expenses in the accompanying consolidated statements of operations. Spare parts for base stations included in inventory are expected to be utilized within 12 months period.

8. PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as of December 31, 2005 and 2004 was as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Network, base station equipment (including leased network and base station equipment of \$58,664 and \$67,905, respectively) and related leasehold improvements	\$ 3,534,574	\$ 2,538,240
Office equipment, computers, software and other (including leased office equipment, computers and software of \$402 and \$1,613, respectively)	339,788	249,458
Buildings and related leasehold improvements	225,726	202,095
Vehicles	21,830	15,658
Property, plant and equipment, at cost	<u>4,121,918</u>	<u>3,005,451</u>
Accumulated depreciation (including accumulated depreciation on leased equipment of \$27,424 and \$30,304)	(1,350,783)	(901,416)
Equipment for installation	621,346	275,010
Construction in progress	1,090,198	855,273
Property, plant and equipment, net	<u>\$ 4,482,679</u>	<u>\$ 3,234,318</u>

Interest costs of \$54.2 million and \$33.2 million were capitalized in property, plant and equipment during the years ended December 31, 2005 and 2004, respectively.

Depreciation expenses during the years ended December 31, 2005, 2004 and 2003, amounted to \$510.5 million, \$385.7 million and \$233.1 million, respectively, including depreciation expenses for leased property, plant and equipment in the amount of \$7.7 million, \$5.4 million and \$7.6 million, respectively.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

9. OTHER INTANGIBLE ASSETS

Intangible assets at December 31, 2005 and 2004 comprised the following:

	Useful lives	December 31, 2005			December 31, 2004		
		Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets							
Acquired customer base	32 to 60 months	\$ 110,360	\$ (78,219)	\$ 32,141	\$ 94,632	\$ (50,276)	\$ 44,356
Rights to use premises	5 to 9 years	8,749	(2,573)	6,176	19,638	(12,393)	7,245
Radio frequencies	3 to 15 years	130,839	(31,227)	99,612	115,493	(31,494)	83,999
Numbering capacity with finite contractual life	5 to 10 years	65,763	(50,325)	15,438	52,630	(39,746)	12,884
Software and other	3 to 15 years	850,068	(342,754)	507,314	422,291	(175,490)	246,801
		<u>1,165,779</u>	<u>(505,098)</u>	<u>660,681</u>	<u>704,684</u>	<u>(309,399)</u>	<u>395,285</u>
Unamortized intangible assets:							
Numbering capacity with indefinite contractual life		20,344	—	20,344	17,247	—	17,247
Total other intangible assets		<u>\$ 1,186,123</u>	<u>\$ (505,098)</u>	<u>\$ 681,025</u>	<u>\$ 721,931</u>	<u>\$ (309,399)</u>	<u>\$ 412,532</u>

As a result of a limited availability of local telephone numbering capacity in Moscow and the Moscow region, MTS has been required to enter into agreements for the use of telephone numbering capacity with several telecommunication operators in Moscow. Costs of acquiring numbering capacity with a finite contractual life are amortized over period of five to ten years in accordance with the terms of the contract entered into to acquire such capacity. Numbering capacity with indefinite contractual life is not amortized.

A significant component of MTS' right to use premises was obtained in the form of contributions to its charter capital in 1993. These premises included MTS' administrative offices and facilities utilized for mobile switching centers. By December 31, 2005, these rights are fully amortized and written-off due to the expiration. In addition and simultaneously with acquisition of UMC in 2003 we obtained additional property rights in the amount of \$8.7 million.

Amortization expense for the years ended December 31, 2005, 2004 and 2003 amounted to \$202.3, \$138.1 and \$77.1 million, respectively. Based on the amortizable intangible assets existing at December 31, 2005, the estimated amortization expense is \$173.5 million during 2006, \$164.4 million during 2007, \$141.0 million during 2008, \$89.5 million during 2009, \$27.5 million during 2010 and \$64.8 million thereafter. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible assets acquisitions, changes in useful lives and other relevant factors.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

10. Deferred connection fees

Deferred connection fees for the years ended December 31, 2005 and 2004 were as follows:

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Balance at beginning of the year	\$ 92,748	\$ 46,644
Payments received and deferred during the year	53,644	93,082
Amounts amortized and recognized as revenue during the year	(44,207)	(46,978)
Balance at end of the year	<u>102,185</u>	<u>92,748</u>
Less current portion	<u>(44,361)</u>	<u>(45,083)</u>
Non-current portion	<u>\$ 57,824</u>	<u>\$ 47,665</u>

MTS defers initial connection fees paid by subscribers for the first time activation of network service as well as one time activation fees received for connection to various value added services. These fees are recognized as revenue over the estimated average subscriber life (see Note 2).

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT

As at December 31, 2005 and 2004, debt comprised the following:

	Currency	Annual interest rate (actual rate at December 31, 2005)	December 31, 2005	December 31, 2004
9.75% Notes due 2008	USD	9.75%	\$ 400,000	\$ 400,000
8.38% Notes due 2010	USD	8.38%	400,000	400,000
8.00% Notes due 2012	USD	8.00%	399,052	—
Total notes, long-term			\$ 1,199,052	\$ 800,000
Syndicated loan	USD	LIBOR + 2.50% (7.20%)	\$ 460,000	\$ 600,000
Citibank N.A., ING Bank N.V. and Raiffeisen AG	USD	LIBOR + 0.75%–2.25% (5.29%–6.79%)	200,000	—
HSBC Bank plc and ING BHF-BANK AG	USD	LIBOR + 0.43% (5.13%)	171,816	77,003
ING Bank N.V.	USD	LIBOR + 0.75% (5.14%)	150,000	—
Citibank International plc and ING Bank N.V.	USD	LIBOR + 0.30% (5.00%)	111,009	—
EBRD	USD	LIBOR + 3.10% (7.80%)	138,462	150,000
Commerzbank AG, ING Bank AG and HSBC Bank plc	USD	LIBOR + 0.30% (5.00%)	92,826	—
ABN AMRO N.V.	USD/EUR	LIBOR + 0.35% (5.05%)		
Barclays Bank PLC	USD	EURIBOR + 0.35% (2.99%)	83,179	—
		LIBOR + 0.13%–0.15% (4.83%–4.85%)	80,086	—
HSBC Bank plc, ING Bank AG and Bayerische Landesbank	USD	LIBOR + 0.30% (5.00%)	63,338	—
ING BHF Bank and Commerzbank AG	EUR	EURIBOR + 0.65% (3.29%)	43,168	63,851
ING Bank (Eurasia)	USD	LIBOR + 2.25%–4.15% (6.79%–8.69%)	20,000	46,667
Commerzbank Belgium S.A./N.V.	USD	LIBOR + 0.40% (5.10%)	13,314	—
HSBC	USD	LIBOR + 2.75% (7.23%)	7,500	17,500
West LB	EUR	EURIBOR+2.00% (4.64%)	4,000	4,000
Nordea Bank Sweden	USD	LIBOR + 0.40% (5.10%)	3,249	6,499
Ericsson	USD	LIBOR + 4.00% (8.54%)	3,150	14,850
CSFB	USD	LIBOR + 2.20% (6.74%)	—	140,000
KFW	EUR	EURIBOR + 0.95% (3.59%)	—	1,478
Other debt		—	687	2,792
Total debt			\$ 1,645,784	\$ 1,124,640
Less current portion			765,881	370,845
Total long-term debt			\$ 879,903	\$ 753,795

Notes—On January 30, 2003, MTS Finance S.A. (“MTS Finance”), a 100% beneficially owned subsidiary of MTS, registered under the laws of Luxembourg, issued \$400.0 million 9.75% notes at par. These notes are fully and unconditionally guaranteed by MTS OJSC and mature on January 30, 2008. MTS Finance is required to make interest payments on the notes semi-annually in arrears on January 30 and

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT (Continued)

July 30, commencing on July 30, 2003. The notes are listed on the Luxembourg Stock Exchange. Proceeds received from the notes' issue were \$400.0 million and related issuance costs of \$3.9 million were capitalized.

On October 14, 2003, MTS Finance issued \$400.0 million notes bearing interest at 8.375% at par. The cash proceeds from the notes were \$395.4 million and related issuance costs of approximately \$4.6 million were capitalized. These notes are fully and unconditionally guaranteed by MTS OJSC and will mature on October 14, 2010. MTS Finance is required to make interest payments on the notes semi-annually in arrears on April 14 and October 14 of each year, commencing on April 14, 2004. The notes are listed on the Luxembourg Stock Exchange.

On January 27, 2005, MTS Finance issued \$400.0 million 8.0% unsecured notes at 99.736%. These notes are fully and unconditionally guaranteed by MTS OJSC and mature on January 28, 2012. MTS Finance is required to make interest payments on the notes semi-annually in arrears on January 28 and July 28, commencing on July 28, 2005. The notes are listed on the Luxembourg Stock Exchange. Proceeds received from the notes were \$398.9 million and related debt issuance cost of \$2.5 million were capitalized.

Subject to certain exceptions and qualifications, the indentures governing the notes contain covenants limiting the Group's ability to:

- Incur debt;
- Create liens;
- Lease properties sold or transferred by the Group;
- Enter into loan transactions with affiliates;
- Merge or consolidate with another person or convey its properties and assets to another person; and
- Sell or transfer any of its GSM licenses for the Moscow, St. Petersburg, Krasnodar and Ukraine license areas.

In addition, if the Group experiences certain types of mergers, consolidations or other changes in control, noteholders will have the right to require the Group to redeem the notes at 101% of their principal amount, plus accrued interest. The Group is also required to take all commercially reasonable steps necessary to maintain a rating of the notes from Moody's or Standard & Poor's. The notes also have cross default provisions with publicly traded debt issued by Sistema, the shareholder of the Group.

If the Group fails to meet these covenants, after certain notice and cure periods, the noteholders can accelerate the debt to be immediately due and payable.

Management believes that the Group is in compliance with all restrictive debt covenants provisions during the three year period ended December 31, 2005.

Syndicated loan—In July 2004, MTS OJSC entered into a \$500.0 million syndicated loan agreement ("Syndicated Loan") with international financial institutions: ING Bank N.V., ABN AMRO Bank N.V.,

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT (Continued)

HSBC Bank plc, Raiffeisen Zentralbank Oesterreich AG ZAO, Bank Austria Creditanstalt AG, Commerzbank Aktiengesellschaft and others. The credit facility bears interest of LIBOR+2.50% per annum and matures in 3 years. The proceeds were used by MTS OJSC for corporate purposes, including refinancing of its existing indebtedness. In September 2004, MTS extended the total amount available under the Syndicated Loan for an additional \$100.0 million to the total amount of \$600.0 million. Commitment fee for the Syndicated Loan amounted to \$0.5 million. The debt issuance costs in the amount of \$10.2 million were capitalized. As of December 31, 2005 and 2004, the outstanding balances under the Syndicated Loan were \$460.0 million and \$600.0 million, respectively. The loan facility is subject to certain restrictive covenants including, but not limited to, certain financial ratios. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants.

Citibank N.A., ING Bank N.V. and Raiffeisen AG—In December 2005, UMC signed an agreement with Citibank N.A., ING bank N.V. and Raiffeisen Zentralbank Osterreich AG, for a \$200.0 million aggregated loan facility to be made available in two tranches of \$103.0 million and \$97.0 million. These funds will be used for general corporate purposes, including financing of capital expenditure and refinancing of existing indebtedness. The amount outstanding under the first tranche is guaranteed by MTS OJSC. The first and the second tranche bear interest at LIBOR+0.75% and LIBOR+2.25% per annum, respectively. The commitment fee is calculated on a daily basis at the rate of 45% of the applicable margin established for each tranche. The loan is subject to certain restrictive covenants including financial ratios and covenants limiting the Group's ability to convey or dispose its properties and assets to another person. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. Each tranche is redeemable in four equal installments within a year after the signing date. As of December 31, 2005, the outstanding balances under the loan were \$103.0 million and \$97.0 million, respectively.

In March 2006, MTS OJSC guaranteed the amount outstanding under the second tranche and the lenders agreed to reduce the interest rate applicable to it to LIBOR+0.75% per annum.

HSBC Bank plc and ING BHF BANK AG—In October 2004, MTS OJSC entered into two credit facility agreements with HSBC Bank plc and ING BHF-BANK AG for the total amount \$121.4 million. The facilities also allow uncommitted additional borrowing up to \$36.5 million. In April 2005, the lenders agreed to increase the amount of available credit facility by \$28.3 million. The funds received under the facilities were used to purchase telecommunication equipment and software from Siemens AG and Alcatel SEL AG for technical upgrade and expansion of network. The facility bears interest at LIBOR+0.43% per annum. A commitment fee of 0.20% per annum and an arrangement fee of 0.25% will be paid in accordance with the loan agreement. The principal and interest amounts are to be repaid in seventeen equal half year installments, starting July 2005 for the first agreement and September 2005 for the second one. The debt issuance costs in the amount of \$25.9 million were capitalized. As of December 31, 2005 and 2004, the outstanding balances under these agreements were \$171.8 million and \$77.0 million, respectively. The facilities mature in July and September 2013 and are subject to certain restrictive covenants, including, but not limited to, covenants restricting the Group's ability to convey or dispose its properties and assets to another person. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. The available credit facility as of December 31, 2005, was \$3.8 million.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT (Continued)

ING Bank N.V.—In November 2005, MTS Finance entered into a credit facility agreement with ING Bank N.V. which allows it to borrow up to \$150.0 million. These funds will be used for general corporate purposes. The loan bears interest of LIBOR+0.75% per annum. The arrangement fee totaled \$0.8 million. The loan is subject to certain restrictive covenants including, but not limited to, certain financial ratios. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. The facility matures in 6 months after the first utilization of available loan amount. As of December 31, 2005, \$150.0 million was outstanding under the facility.

Citibank International plc and ING Bank N.V.—In December 2005, MTS OJSC signed an agreement with Citibank International plc and ING Bank N.V. for a \$130.8 million committed credit facility and a \$36.6 million uncommitted additional facility. These funds will be used to purchase telecommunication equipment from Ericsson AB. The loan bears interest of LIBOR+0.30% per annum. An arrangement fee of 0.20% of the original facility amount and agency fee of \$0.01 million per annum will be paid in accordance with the agreement. The commitment fee is 0.10% per annum on the undrawn facility. The loan is subject to certain covenants, including, but not limited to, covenants restricting the Group's ability to convey or dispose its properties and assets to another person. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. The facilities are repayable on a biannual basis in equal installments over 9 years. As of December 31, 2005, the balance outstanding under the loan was \$111.0 million. The available credit facility as of December 31, 2005, was \$19.7 million.

EBRD—In December 2004, MTS OJSC entered into a credit facility agreement with European Bank for Reconstruction and Development ("EBRD") for the total amount of \$150.0 million. The facility bears interest at LIBOR+3.10% per annum. A commitment fee of 0.50% per annum should be paid in accordance with the credit agreement. The final maturity of this agreement is December 15, 2011. The debt issuance costs in the amount of \$1.5 million were capitalized. As of December 31, 2005 and 2004, the balances outstanding under the loan were \$138.5 million and \$150.0 million, respectively. The loan is subject to certain restrictive covenants including, but not limited to, certain financial ratios. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants.

Commerzbank AG, HSBC Bank plc and ING Bank Deutschland AG—In October 2005, MTS OJSC entered into an agreement with Commerzbank AG, HSBC Bank plc and ING Bank Deutschland AG for a \$125.8 million committed credit facility. The agreement also allows the Company to borrow up to \$28.3 million under an uncommitted additional facility. These funds will be used to purchase telecommunication equipment from Siemens AG. The loan bears interest of LIBOR+0.30% per annum. An arrangement fee of 0.20% of the original facility amount and \$0.01 million per annum will be paid in accordance with the agreement. The commitment fee is 0.10% per annum on the undrawn facility. The loan is subject to certain covenants, including, but not limited to, covenants restricting the Group's ability to convey or dispose its properties and assets to another person. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. The facilities are repayable on a biannual basis in equal installments over 9 years. As of December 31, 2005, the balance outstanding under the loan was \$92.8 million. The available credit facility as of December 31, 2005, was \$33.0 million.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT (Continued)

ABN AMRO N.V.—In November 2004, MTS OJSC signed a loan agreement with ABN AMRO Bank N.V. for \$56.6 million and EUR 8.4 million (\$9.9 million as of December 31, 2005). In March 2005, the agreement was amended to expand the EUR facility up to EUR 31.3 million (\$37.2 million as of December 31, 2005). These funds were used to acquire telecommunication equipment from Ericsson AB to expand the network. The loan is repayable on a biannual basis in equal installments over 9 years and has an interest rate of USD LIBOR/EURIBOR+0.35% per annum. The debt issuance costs in the amount of \$9.8 million have been capitalized. The loan is subject to certain covenants, including, but not limited to, covenants restricting the Group's ability to make any substantial change to general nature or scope of its business. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. As of December 31, 2005 and 2004, \$83.2 million and \$nil, respectively, were outstanding under the facility.

Barclays Bank plc—In February 2005, MTS OJSC entered into a credit facility with Barclays Bank plc to finance the acquisition of equipment from Motorola Limited. The facility allows borrowing up to \$25.7 million and uncommitted additional borrowing of up to \$64.3 million. In December 2005, the agreement with Barclays Bank plc was amended to increase the amount of available uncommitted additional facility by \$23.3 million. The original facility bears interest of LIBOR+0.15% per annum and additional uncommitted facility bears interest of LIBOR+0.13% per annum. An arrangement fee of 0.4% of the original facility amount and of 0.4% of each additional commitment facility amount will be paid in accordance with the agreement. The commitment fee is 0.175% per annum. The debt issuance costs in the amount of \$10.4 million have been capitalized. The facilities are redeemable in equal semi-annual installments by January 31, 2014. The loan is subject to certain covenants, including, but not limited to, covenants restricting the Group's ability to convey or dispose its properties and assets to another person. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. As of December 31, 2005, the outstanding balance under the facility was \$80.1 million. The available credit facility as of December 31, 2005, was \$31.7 million.

HSBC Bank plc, ING Bank Deutschland AG and Bayerische Landesbank—In November 2005, MTS OJSC entered into credit facility with HSBC Bank plc, ING Bank Deutschland AG and Bayerische Landesbank for up to \$123.8 million and up to \$17.3 million of uncommitted additional borrowing. The funds received will be used to finance the acquisition of telecommunication equipment from Alcatel SEL AG. The loan bears interest of LIBOR+0.30% per annum. An arrangement fee of 0.20% of the original facility amount and agency fee of \$0.01 million per annum will be paid in accordance with the agreement. The commitment fee is 0.10% per annum on the undrawn facility. The debt issuance costs in the amount of \$19.3 million were capitalized. The loan is subject to certain covenants, including, but not limited to, covenants restricting the Group's ability to convey or dispose its properties and assets to another person. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. The facilities are repayable on a biannual basis in equal installments over 9 years. As of December 31, 2005, the outstanding amount under the loan was \$63.3 million. The available credit facility as of December 31, 2005, was \$60.5 million.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT (Continued)

ING BHF Bank and Commerzbank AG—On December 30, 2003, UMC entered into a credit facility with ING BHF Bank and Commerzbank AG to finance the acquisition of telecommunication equipment from Siemens AG. The aggregate amount available under this credit facility is EUR 47.4 million (\$56.3 million as of December 31, 2005). In 2004, the agreement was amended to increase the amount available under the facility by EUR 9.2 million (\$10.9 million as of December 31, 2005). The loan is guaranteed by MTS OJSC and bears interest at EURIBOR+0.65% per annum. The amount outstanding is redeemable in 10 equal semi-annual installments starting on July 31, 2004. At December 31, 2005 and 2004, the amounts outstanding under the loan were \$43.2 million and \$63.9 million, respectively.

ING Bank (“Eurasia”)—In September 2003, UMC entered into a \$60.0 million syndicated credit facility with ING Bank (“Eurasia”) ZAO, ZAO Standard Bank and Commerzbank AG with an interest rate of LIBOR + 2.25%–4.15% per annum. The loan is guaranteed by MTS OJSC. The proceeds were used by UMC to refinance its existing indebtedness. The loan is payable in 8 equal quarterly installments starting from September 2004. As of December 31, 2005 and 2004, \$20.0 million and \$46.7 million were outstanding, respectively, under this credit facility.

Commerzbank Belgium S.A./N.V.—In October 2004, MTS OJSC entered into a loan agreement with Commerzbank Belgium S.A./N.V. The aggregate amount under the agreement is \$18.3 million. The loan proceeds were used to finance the purchase of telecommunication equipment from Alcatel Bell N.V. and bears interest of LIBOR+0.4% per annum. A commitment fee at rate of 0.225% per annum and flat management fee of 0.25% on the loan amount should be paid in accordance with the terms of agreement. Related debt issuance costs amounted to \$1.3 million were capitalized. As of December 31, 2005 and 2004, the outstanding balances were \$13.3 million and \$nil, respectively. The available credit facility as of December 31, 2005 was \$5.0 million.

HSBC Bank LLC—In October 2003, TAIF Telcom entered into a \$25.0 million credit facility with HSBC Bank LLC, which is guaranteed by MTS OJSC. The facility bears interest at LIBOR+2.75% per annum and is redeemable in ten equal quarterly installments commencing on June 2004. The funds were used to purchase telecommunication equipment and general corporate purposes. The loan is subject to certain restrictive covenants including, but not limited to, restriction on the Group’s ability to encumbrance on its properties and assets. Management believes that as of December 31, 2005, the Group is in compliance with all existing covenants. As of December 31, 2005 and December 31, 2004, the outstanding balances under the credit facility were \$7.5 million and \$17.5 million, respectively.

West LB International—In July 2002, MTS-P entered into a credit facility agreement with West LB International S.A. Amounts outstanding under this agreement bear interest of EURIBOR+2.00% per annum for the first two years for each advance and 4.00% per annum for the remaining interest periods for each advance until maturity. The final maturity of this agreement is December 28, 2006. The loan is guaranteed by MTS OJSC. The balance outstanding under the loan was \$4.0 million as of December 31, 2005 and 2004.

Nordea Bank Sweden—In September 2003, Primtelefon entered into a long-term loan facility with Nordea Bank Sweden for the total amount of \$9.8 million. Amounts outstanding under the loan agreement bear interest at LIBOR+0.40% per annum and mature in October 2006. The loan is guaranteed by MTS

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT (Continued)

OJSC. As of December 31, 2005 and 2004, the amounts outstanding under the loan were \$3.2 million and \$6.5 million, respectively.

Ericsson debt restructuring—In December 1996, Rosico, a wholly-owned subsidiary merged into MTS OJSC in June 2003, entered into a credit agreement with Ericsson Project Finance AB (“Ericsson”) that provided for a credit facility with an aggregate principal amount of \$60.0 million and had a maximum term of five years (the “Ericsson Loan”). The loan was repayable in ten equal consecutive quarterly payments of \$6.0 million commencing in 1999. On July 24, 2001, MTS, Rosico and Ericsson signed an amendment to the credit agreement rescheduling Rosico principal payments in nineteen consecutive quarterly installments. The amounts advanced under the agreement bear interest of LIBOR + 4.00%. If Rosico fails to pay any amount under this facility, the overdue interest would bear interest at a rate of additional 6.00% per annum. The credit agreement contains covenants restricting Rosico’s ability to encumber its present and future assets and revenues without the lender’s express consent.

Concurrent with the Group’s acquisition of Rosico, Sistema agreed to fund the full and timely repayment of the Ericsson Loan and to indemnify Rosico and MTS for any costs incurred by either Rosico or MTS in connection with the repayment of the Ericsson Loan. During 2000, Sistema and MTS agreed on a method that would allow Sistema to fund its obligation in a manner that minimizes the total costs of meeting this obligation (including related tax costs). Under this method, MTS enters into a long-term, ruble-denominated promissory notes with 0% interest and maturities from 2049 to 2052 to repay a portion of the funding from Sistema. The carrying value of these notes is insignificant at December 31, 2005 and December 31, 2004. The Group records interest expense on these notes over the term such that the full amount of the obligation will be reflected as a liability at the date of repayment. Through December 31, 2005, Sistema has made payments under this obligation in the amount of \$60.0 million, \$56.9 million of which are repayable in the form of long-term, ruble denominated promissory notes with 0% interest. Amounts receivable from Sistema under this indemnification are recorded as shareholder receivable in the accompanying consolidated balance sheets.

On February 25, 2003, Ericsson assigned all of its rights and obligations under the Ericsson Loan to Salomon Brothers Holding Company, Inc.

As of December 31, 2005 and 2004, \$3.2 million and \$14.9 million were outstanding, respectively, under the Ericsson Loan.

CSFB—In October 2004, MTS Finance entered into a short-term loan facility with CSFB for the total amount of \$140.0 million. Amounts outstanding under the loan agreement bore interest at LIBOR+2.20% per annum. The debt was fully repaid in April 2005.

KFW—On December 21, 1998, UMC entered into two loan agreements with KFW, a German bank, for EUR 1.9 million and EUR 10.9 million. These loans bore interest at EURIBOR+0.95% per annum and matured on March 31, 2004 and February 28, 2005, respectively. As of December 31, 2005, the debt was fully repaid.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

11. DEBT (Continued)

The following table presents aggregate scheduled maturities of debt principal outstanding as of December 31, 2005:

Payments due in the year ended December 31,	
2006	\$ 765,881
2007	290,815
2008	510,693
2009	104,526
2010	498,359
Thereafter	674,562
	<u>\$ 2,844,836</u>

In December 2004, the Group entered into two variable-to-fixed interest rate swap agreements with ABN AMRO Bank N.V and with HSBC Bank PLC to hedge MTS' exposure to variability of future cash flows caused by the change in LIBOR related to the syndicated loan. MTS agreed with ABN AMRO to pay a fixed rate of 3.27% and receive a variable interest of LIBOR on \$100.0 million for the period from October 7, 2004 up to July 27, 2007. MTS agreed with HSBC Bank PLC to pay a fixed rate of 3.25% and receive a variable interest of LIBOR on \$150.0 million for the period from October 7, 2004 up to July 27, 2007. These instruments qualify as cash flow hedges under the requirements of SFAS No. 133 as amended by SFAS No. 149. As of December 31, 2005, the Group recorded an asset of \$3.6 million in relation to these contracts in the accompanying consolidated balance sheet and an income of \$2.8 million, net of tax of \$0.8 million, as other comprehensive income in the accompanying consolidated statement of changes in shareholders equity in relation to the change in fair value of these agreements. In 2005 there were no amounts reclassified from other comprehensive income to income due to hedge ineffectiveness.

12. CAPITAL LEASE OBLIGATIONS

The following table presents future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2005:

Payments due in the year ended December 31,	
2006	\$ 3,413
2007	2,484
2008	676
2009	7
2010	5
Thereafter	2
Total minimum lease payments (undiscounted)	6,587
Less amount representing interest	(866)
Present value of net minimum lease payments	5,721
Less current portion of lease payable	(2,793)
Non-current portion of lease payable	<u>\$ 2,928</u>

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

12. CAPITAL LEASE OBLIGATIONS (Continued)

For a schedule by years of future minimum lease payments under capital leases to Invest-Svyaz-Holding, a related party, together with the present value of the net minimum lease payments as of December 31, 2005, see Note 17 Related Parties.

13. ACCRUED LIABILITIES

Accrued liabilities at December 31, 2005 and 2004 comprised the following:

	December 31, 2005	December 31, 2004
Accrued payroll and vacation	\$ 60,732	\$ 44,673
Interest payable on debt	51,403	31,177
VAT	34,139	32,174
Taxes other than income	28,553	23,706
Accruals for advertising services	6,728	4,782
Other accruals	94,736	44,165
Total accrued liabilities	<u>\$ 276,291</u>	<u>\$ 180,677</u>

14. INCOME TAX

MTS' provision for income taxes was as follows for the year ended December 31, 2005, 2004 and 2003:

	December 31, 2005	December 31, 2004	December 31, 2003
Current provision for income taxes	\$ 475,549	\$ 430,687	\$ 285,481
Deferred income tax benefit	(64,959)	(76,023)	(43,001)
Total provision for income taxes	<u>\$ 410,590</u>	<u>\$ 354,664</u>	<u>\$ 242,480</u>

The statutory income tax rate in Russia in 2003-2005 was 24%. From January 1, 2004, UMC statutory income tax rate changed from 30% to 25% as a result of changes in Ukrainian tax legislation.

The statutory income tax rate reconciled to MTS' effective income tax rate is as follows for the year ended December 31, 2005, 2004 and 2003:

	December 31, 2005	December 31, 2004	December 31, 2003
Statutory income tax rate for year	24.0%	24.0%	24.0%
Adjustments:			
Expenses not deductible for tax purposes	3.0	1.0	2.3
Effect of higher tax rate of UMC	0.3	0.2	0.9
Currency exchange and transaction gains (losses)	(0.8)	1.2	1.6
Other	(0.2)	(0.6)	0.4
Effective income tax rate	<u>26.3%</u>	<u>25.8%</u>	<u>29.2%</u>

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

14. INCOME TAX

Temporary differences between the tax and accounting bases of assets and liabilities give rise to the following deferred tax assets and liabilities at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Assets/(liabilities) arising from tax effect of:		
Deferred tax assets		
Depreciation of property, plant and equipment	\$ 64,113	\$ 48,829
Deferred connection fees	24,784	22,598
Subscriber prepayments	23,153	18,151
Accrued expenses	33,803	18,934
Allowance for doubtful accounts	7,027	5,220
Inventory obsolescence	7,122	2,759
Loss carryforward (Rosico and MSS)	—	7,171
Other	8,013	4,328
	<u>168,015</u>	<u>127,990</u>
Valuation allowance	—	(7,171)
Total deferred tax assets	<u>168,015</u>	<u>120,819</u>
Deferred tax liabilities		
Licenses acquired	\$ (140,167)	\$ (160,358)
Depreciation of property, plant and equipment	(42,394)	(31,429)
Customer base	(7,584)	(10,746)
Other intangible assets	(20,428)	(20,226)
Debt issuance cost	(17,836)	(3,829)
Other	(14,684)	(4,771)
Total deferred tax liabilities	<u>(243,093)</u>	<u>(231,359)</u>
Net deferred tax liability	<u>(75,078)</u>	<u>(110,540)</u>
Net deferred tax assets, current	\$ 83,336	\$ 49,850
Net deferred tax liability, long-term	\$ (158,414)	\$ (160,390)

As of December 31, 2004, the Group had taxable loss carryforward in the amount of \$29.9 million related to operations of Rosico, that resulted in deferred tax assets in the amounts of \$7.2 million. While Rosico was merged into MTS OJSC in June 2003, the Group recorded a valuation allowance for the entire amount of the available tax loss carryforward related to Rosico as of December 31, 2004, as MTS OJSC had not yet performed all procedures necessary to determine what amounts will be available for deductions in the future as of that date. As of December 31, 2005, the possibility of the claim for the tax loss carryforward was assessed as remote and therefore no deferred tax asset was recorded.

The Group does not record a deferred tax liability related to undistributed earnings of UMC, Uzdunrobita and BCTI, as it intends to permanently reinvest these earnings. The undistributed earnings of

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

UMC amounted to \$994.0 million (unaudited) and \$559.5 million as of December 31, 2005 and 2004, respectively.

15. SHAREHOLDERS' EQUITY

In accordance with Russian laws, earnings available for dividends are limited to profits determined in accordance with Russian statutory accounting regulations, denominated in rubles, after certain deductions. Net income of MTS OJSC for the years ended December 31, 2005, 2004 and 2003 that is distributable under Russian legislation totaled 12,544 million rubles (\$444.4 million), 15,209 million rubles (\$527.9 million) and 13,423.0 million rubles (\$437.4 million), respectively.

16. STOCK BONUS AND STOCK OPTION PLANS

In 2000 MTS established a stock bonus plan and stock option plan ("the Option Plan") for selected officers, key employees and key advisors. During its initial public offering in 2000 (see Note 1) MTS allotted 9,966,631 shares of its common stock to fund the Option Plan.

Since 2002, MTS made several grants pursuant to its stock option plan to employees and directors of the Group. These options generally vest over a two year period from the date of the grant, contingent on continued employment of the grantee with the Company. A summary of the status of the Group's Option Plan is presented below:

	Shares	Weighted average exercise price, U.S. dollar
Outstanding at December 31, 2002	4,648,421	1.42
Granted	1,952,632	2.43
Exercised	(37,557)	1.31
Exchanged for cash award	(1,746,310)	1.31
Forfeited	(19,776)	1.31
Outstanding at December 31, 2003	4,797,410	1.87
Granted	1,665,256	5.95
Exercised	(2,726,966)	1.49
Forfeited	(204,730)	1.92
Outstanding at December 31, 2004	3,530,970	4.09
Granted	1,778,694	6.89
Exercised	(1,801,622)	2.43
Forfeited	(320,802)	5.25
Outstanding at December 31, 2005	3,187,240	6.47

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

16. STOCK BONUS AND STOCK OPTION PLANS (Continued)

As of December 31, 2005, the Group had the following stock options outstanding:

Exercise prices	Number of shares	Remaining weighted average life (years)
5.95	1,417,546	0.54
6.89	1,769,694	1.54
	<u>3,187,240</u>	

None of the options granted in 2004 and 2005 outstanding at December 31, 2005 were exercisable.

According to the terms of the Option Plan, the exercise price of the options equals the average market share price during the hundred day period preceding the grant date. The difference in the exercise price of the option and market price at the date of grant is shown as unearned compensation in the consolidated statements of changes in shareholders' equity and is amortized to expense over the vesting period of two years. This amount historically had been insignificant to the consolidated financial statements.

The Group's Option Plan does not routinely allow a grantee to receive cash in lieu of shares, however due to the lack of liquidity for the Group's stock in the Russian market, 1,746,310 options were cancelled by MTS in 2003 and exchanged for a cash award of \$2.9 million.

The fair value of options granted during the three years in the period ended December 31, 2005 were estimated using the binomial option pricing model using the following assumptions:

	2005	2004	2003
Risk free rate	4.7%	4.5%	5.2%
Expected dividend yield	3%	3%	3%
Expected volatility	40.0%	48.8%	40.0%
Expected life (years)	2	2	2
Fair value of options (per share)	\$ 1.74	\$ 2.36	\$ 1.02

In accordance with the Russian legislation, MTS Board members and key employees may be considered insiders with respect to the Group and thus may be restricted from selling their shares.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

17. RELATED PARTIES

Related party balances as of December 31, 2005 and 2004 comprised the following:

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Accounts receivable:		
Rosno for insurance	\$ 3,663	\$ 9,065
Maxima for advertising	1,689	884
Mediaplanning for advertizing	1,400	—
MTT for interconnection	862	1,497
Kvazar-Micro for information systems consulting	—	2,161
T-Mobile for roaming	—	1,198
Receivables from investee companies	—	2,963
Other	47	—
Total accounts receivable, related parties	<u>\$ 7,661</u>	<u>\$ 17,768</u>
Accounts payable:		
Strom Telecom for software	\$ 25,378	\$ 7,070
Kvazar-Micro for information systems consulting	6,564	—
MTT for interconnection	4,262	2,964
MTU-Inform for interconnection	2,430	2,398
Maxima for advertising	1,082	—
MGTS for interconnection	588	607
T-Mobile for roaming	—	1,580
Other	525	2,390
Total accounts payable, related parties	<u>\$ 40,829</u>	<u>\$ 17,009</u>

Transactions with major related parties are described below.

Moscow Bank of Reconstruction and Development (“MBRD”)—Starting August 2000, MTS has been maintaining certain bank and deposit accounts with MBRD, whose major shareholder is Sistema. As of December 31, 2005 MTS’ cash position at MBRD amounted to \$18.0 million in current accounts. As of December 31, 2004, MTS’ cash position at MBRD amounted to \$72.0 million in current accounts. The related interest accrued and collected on the deposits for the years ended December 31, 2005 and 2004 amounted to \$5.4 million and \$6.8, respectively, and was included as a component of interest income in the accompanying consolidated statements of operations.

Borrowing transactions with MBRD are described in Note 11.

Rosno OJSC (“Rosno”)—MTS arranged medical insurance for its employees and property insurance with Rosno, whose significant shareholder is Sistema. Insurance premium paid to Rosno for the years ended December 31, 2005, 2004 and 2003 amounted to \$12.6 million, \$7.6 million and \$16.9 million, respectively. Management believes that all of the insurance contracts with Rosno have been entered into at market terms.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

17. RELATED PARTIES (Continued)

Maxima Advertising Agency (“Maxima”)—In 2005, 2004 and 2003, MTS Group had agreements for advertising services with Maxima, a subsidiary of Sistema. Advertising costs related to Maxima for the years ended December 31, 2005, 2004 and 2003 amounted to \$58.6 million, \$48.9 million and \$23.7 million, respectively. Management believes that these agreements are at market terms.

Kvazar-Micro Corporation (“Kvazar”)—Kvazar, a Ukrainian based company providing solutions, services, and business consulting in the field of information and communication technologies. Since July 2004, Sistema is a controlling shareholder in Kvazar. In 2004, MTS signed agreements for software implementation services with Kvazar. Pursuant to agreements with Kvazar, in year 2005 and 2004 MTS purchased software systems and related equipment in total amount of approximately \$62.0 million and \$9.7 million, respectively. Management believes that these agreements are at market terms.

Telmos—In 2005, 2004 and 2003, MTS had interconnection arrangements with, and received domestic and international long-distance services from Telmos, a subsidiary of Sistema. Interconnection and line rental expenses for the years 2005, 2004 and 2003 comprise \$1.2 million, \$1.6 million and \$1.6 million, respectively. Management believes that these arrangements are at market terms.

Moscow City Telephone Network (“MGTS”)—In 2005, 2004 and 2003, MTS had line rental agreements with MGTS and rented a cable plant from MGTS for the installation of optic-fiber cable. MTS also rented buildings for administrative office as well as premises for switching and base station equipment. Rental expenses for the years 2005, 2004 and 2003 amounted to \$8.3 million \$5.9 million and \$4.5 million, respectively. Management believes that all these transactions were made at market terms. Sistema is the majority shareholder of MGTS.

MTU-Inform—In 2005, 2004 and 2003, MTS had interconnection and line rental agreements with MTU-Inform, a subsidiary of Sistema. Interconnection and rental expenses for the years 2005, 2004 and 2003, were \$24.0 million \$25.7 million and \$23.3 million, respectively. In 2003 MTS also purchased telephone numbering capacity from MTU-Inform for \$2.0 million. Management believes that these agreements are at market terms.

Comstar—In 2005, 2004 and 2003, MTS had interconnection and line rental agreements with Comstar, a subsidiary of Sistema. Cost of interconnecton and line rental services rendered by Comstar for the years 2005, 2004 and 2003 amounted to \$4.7 million, \$3.1 million and \$3.6 million, respectively. Management believes that these agreements are at market terms.

T-Mobile—In 2005 T-Mobile ceased to be a related party (see Note 1). In 2004 and 2003, the Group had non-exclusive roaming agreements with T-Mobile, a shareholder of the Group. Roaming expenses for the years ended December 31, 2004 and 2003 amounted to \$6.1 million and \$1.7 million, respectively. Management believes that these agreements are at market terms.

Invest-Svyaz-Holding—In 2005 and 2004, MTS entered into agreements with Invest-Svyaz-Holding, a shareholder of MTS and a wholly-owned subsidiary of Sistema, for leasing of network equipment and billing system. These leases were recorded as capital leases in compliance with requirements of SFAS No. 13, “Accounting for Leases.” The present value of future lease payments due within one year are

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

17. RELATED PARTIES (Continued)

classified as current liabilities and the remaining balance as long-term liabilities. The interest rate implicit in these leases varies from 14% to 44%, which management believes are market terms.

The following table summarizes the future minimum lease payments under capital leases to Invest-Svyaz-Holding together with the present value of the net minimum lease payments as of December 31, 2005:

Payments due in the year ended December 31,	
2006	\$ 3,233
2007	653
2008	—
Total minimum lease payments (undiscounted)	<u>3,886</u>
Less amount representing interest	<u>(540)</u>
Present value of net minimum lease payments	3,346
Less current portion of lease obligations	<u>(2,740)</u>
Non-current portion of lease obligations	<u>\$ 606</u>

In addition to the above lease transactions, the Group guarantees debt of Invest-Svyaz-Holding in the amount of \$3.5 million to a third party, which is used by Invest-Svyaz-Holding primarily to finance its leases to the Group (see Note 22 Commitments and contingencies).

For the year ended December 31, 2005 principal and interest paid to Invest-Svyaz-Holding were \$6.1 million and \$2.0 million, respectively. Principal and interest paid to Invest-Svyaz-Holding for the year ended December 31, 2004 were \$6.4 million and \$4.1 million, respectively. Principal and interest paid for the year ended December 31, 2003 were \$5.4 million and \$3.3 million, respectively. Management believes that these agreements are at market terms.

Strom Telecom—During 2005, 2004 and 2003 the Group entered into a number of agreements with Strom Telecom, an subsidiary of Sistema for a total amount up to \$166.5 million, \$116.5 million and \$32.3 million, respectively. Pursuant to these contracts, the Group purchased in 2005, 2004 and 2003 billing systems and communication software support systems for approximately \$179.2 million, \$9.1 million and \$23.7 million, respectively. Advances paid under these agreements and outstanding as of December 31, 2005 and 2004 amount to \$45.7 million and \$51.0 million, respectively.

Mediaplanning—During 2005 and 2004, MTS entered into a number of agreements to purchase advertising services with Mediaplanning, a subsidiary of Sistema. Related advertising costs recorded for the year ended December 31, 2005 and 2004 amounted to \$21.5 million and \$11.3 million, respectively.

MTT—In 2005 and 2004, MTS had interconnection and line rental agreements with MTT, a subsidiary of Sistema. Interconnection expenses for the year 2005 and 2004 amounted to \$41.1 million and \$16.1 million, respectively. Management believes that these agreements are at market terms.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2005, 2004 and 2003, consisted of the following:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Salaries and social contributions	\$ 336,203	\$ 256,989	\$ 156,808
General and administrative	100,257	72,586	42,530
Repair and maintenance	90,609	81,538	39,406
Rent	79,869	54,054	31,968
Taxes other than income	62,102	50,033	40,432
Billing and data processing	37,287	28,238	22,067
Consulting expenses	26,486	19,694	11,361
Insurance	16,804	7,554	7,351
Inventory obsolescence expense	9,112	4,610	3,307
General and administrative expenses	<u>\$ 758,729</u>	<u>\$ 575,296</u>	<u>\$ 355,230</u>

19. INVESTMENTS IN AND ADVANCES TO ASSOCIATES

At December 31, 2005 and 2004, the Group's investments in and advances to associates comprised the following:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
MTS Belarus—equity investment	\$ 66,288	\$ 27,699
MTS Belarus—loans receivable	41,341	51,894
Receivables from other investee companies	330	1,642
Total investments in and advances to associates	<u>\$ 107,959</u>	<u>\$ 81,235</u>

MTS Belarus—As of December 31, 2005 and 2004, the Group provided MTS Belarus with a total of \$41.3 million and \$51.9 million in loans, respectively. These loans bear interest at 3.00% to 11.00% per annum. In addition, the Group guarantees the debt of MTS Belarus in the amount of \$9.0 million to Citibank International plc (see Note 22 Commitments and contingencies).

The Company's share in net income of associates is included in other income in the accompanying consolidated statements of operations. For the years ended December 31, 2005, 2004 and 2003, this share amounted \$42.4 million, \$24.1 million and \$2.7 million, respectively.

20. OTHER INVESTMENTS

In December 2005, MTS acquired a 51% stake in Tarino Limited ("Tarino") for \$150.0 million in cash. Tarino was at that time the indirect owner, through its wholly-owned subsidiaries, of Bitel LLC, a Kyrgyz company holding a GSM 900/1800 license for the entire territory of Kyrgyzstan.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

20. OTHER INVESTMENTS (Continued)

Concurrently with the purchase of 51.0% stake, the Group entered into a put and call option agreement with the shareholder of Tarino to acquire the remaining 49.0% interest in Tarino. The call option is exercisable by the Group from November 22, 2005 to November 17, 2006, and the put option is exercisable by the seller from November 18, 2006 to December 8, 2006. The call and put option price is \$170.0 million. The put and call option was recorded at fair value, which approximated \$nil at December 31, 2005, in the consolidated balance sheet.

After a decision of the Kyrgyz Supreme Court on December 15, 2005, Bitel's offices were seized. The Group could not re-gain operating control over Bitel's operations in 2005 and therefore accounted for its 51.0% investment in Bitel at cost as at December 31, 2005.

On March 3, 2006, Mr. Glenn Harrigan, the court-appointed receiver of Fellowes International Holdings Limited ("Fellowes"), a British Virgin Islands corporation, which alleges rights on Bitel, filed a claim with the Supreme Court of the Kyrgyz Republic seeking a review and reversal of the Supreme Court's ruling of December 15, 2005, in favor of Fellowes upholding a first instance court's decision, whereby the shares in Bitel were transferred to Fellowes. Mr. Harrigan seeks a reversal of the Kyrgyz Supreme Court ruling on the grounds that the persons who had represented Fellowes before the Kyrgyz Supreme Court were not authorized to represent Fellowes. Fellowes is not affiliated with MTS. MTS will continue to vigorously assert its rights with respect to Bitel in the courts of Kyrgyzstan.

Currently, MTS is working with Tarino Limited's 49% shareholder to recover ownership and operational control of Bitel. Also, there is on-going litigation in the British Virgin Islands and arbitration in the United Kingdom related to Tarino's ownership of Bitel. These matters are likely to be subject of continued and/or new legal disputes and litigation, including concerning the agreements with respect to Tarino Limited. It is not possible at this time to predict the outcome or resolution of any such disputes or litigation; however, MTS believes that its position is meritorious. The Group's management believes that no impairment of its investment in Bitel has occurred as at December 31, 2005.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

21. OPERATING LICENSES

In connection with providing telecommunication services, the Group has been issued various operating GSM licenses by the Russian Ministry of Information Technologies and Communications. In addition to the licenses received directly from the Russian Ministry of Information Technologies and Communications, the Group was granted access to various telecommunication licenses through acquisitions. In foreign subsidiaries the licenses are granted by the local Communication Ministries. At December 31, 2005 and 2004, recorded values of the Group's telecommunication licenses were as follows:

	December 31, 2005	December 31, 2004
Moscow license area	\$ 258,226	\$ 255,812
Krasnodar and Adigeya regions	124,396	124,396
Tatarstan Republic	104,159	104,159
Five regions of Asian Russia	91,202	91,202
North-Western region	74,639	74,639
Seven regions of European Russia	62,266	19,503
Ukraine	61,717	56,322
Krasnoyarsk region, Taimyr region and Khakassia Republic	52,625	52,625
Turkmenistan	50,503	—
Tomsk region	49,282	49,282
Bashkortostan Republic	48,932	48,932
Far East	48,107	48,107
Uzbekistan	40,861	40,861
Other	97,338	107,096
Licenses, at cost	1,164,253	1,072,936
Accumulated amortization	(561,137)	(385,664)
Licenses, net	<u>\$ 603,116</u>	<u>\$ 687,272</u>

Amortization expense for the years ended December 31, 2005, 2004 and 2003, amounted to \$194.3 million, \$151.9 million and \$105.7 million, respectively.

Based on the amortizable operating licenses existing at December 31, 2005, the estimated future amortization expenses are \$207.8 million during 2006, \$163.1 million during 2007, \$102.0 million during 2008, \$41.8 million during 2009, \$37.4 million during 2010 and \$51.0 million thereafter. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible assets acquisitions, changes in useful lives and other relevant factors.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

21. OPERATING LICENSES (Continued)

Each of the Group's licenses, except the licenses covering the Moscow license area and Uzbekistan, contains a requirement for service to be commenced and for subscriber number and territorial coverage targets to be achieved by a specified date. The Group has met these targets or received extensions to these dates in those regional license areas in which the Group has not commenced operations. Management believes that the Group is in compliance with all material terms of its licenses.

The Group's operating licenses do not provide for automatic renewal. The Group has limited experience with the renewal of its existing licenses. Management believes that licenses required for the Group's operations will be renewed upon expiration.

22. COMMITMENTS AND CONTINGENCIES

Capital commitments—As of December 31, 2005, the Group had executed non-binding purchase agreements in the amount of approximately \$388.2 million to subsequently acquire property, plant and equipment.

Operating leases—The Group has entered into lease agreements of space for telecommunication equipment and offices, which expire in various years up to 2054. Rental expenses under these operating leases of \$73.2 million, \$54.0 million and \$32.0 million for the years ended December 31, 2005, 2004 and 2003, respectively, are included in operating expenses in the accompanying statements of operations. Future minimum lease payments due under non-cancelable leases at December 31, 2005 are as follows:

Payments due in the years ended December 31,	
2006	\$ 54,155
2007	23,780
2008	19,782
2009	16,311
2010	11,722
Thereafter	34,308
Total	<u>\$ 160,058</u>

Operating licenses—Since the commencement of MTS' operations in 1994, a number of telecommunication licenses for the Russian Federation were issued to MTS and its consolidated subsidiaries. These license agreements stipulated that certain fixed "contributions" be made to a fund for the development of telecommunication networks in the Russian Federation. According to the terms of licenses, such contributions were to be made during the license period upon the decision and as defined by the Board of Directors of the Association of GSM-900 Operators ("the Association").

The Association is a nongovernmental, not-for-profit association, and their Board of Directors comprises representatives of the major cellular communications companies, including MTS. On January 1, 2004, a new Federal Law on Communications came into effect in the Russian Federation. According to the Law the Group was required to update operating licenses as requirements to make certain fixed contributions discussed above has been abandoned with the new Law on Communications. As of December 31, 2005 MTS'

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

22. COMMITMENTS AND CONTINGENCIES (Continued)

potential liability according to the terms of licenses, that still provide for the payment of such fees, could total approximately \$18.1 million.

The Association has not adopted any procedures enforcing such payments and no such procedures have been established by Russian legislation. To date, MTS has not made any such payments pursuant to any of the current operating licenses issued to MTS and its consolidated subsidiaries. Further, the management of MTS believes that MTS will not be required to make any such payments in the future. In relation to these uncertainties, MTS has not recorded a contingent liability in the accompanying consolidated financial statements.

Issued guarantees—As of December 31, 2005, the Group has issued guarantees to third party banks for the loans taken by Invest-Svyaz-Holding, a shareholder of the Group for a total amount of \$3.5 millions (see also Note 18). The guarantees expire by May 2006. The Group issued additional guarantees on behalf of MTS-Belarus, an equity investee, for the total amount of \$9.0 million. The guarantees expire by April 2007. The issued guarantees are recorded at fair value in the accompanying consolidated balance sheet.

As of December 31, 2005, no event of default has occurred under any of the guarantees issued by the Group.

Contingencies—The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of an emerging market. These characteristics have in the past included higher than normal inflation, insufficient liquidity of the capital markets, and the existence of currency controls which cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be subject to the government's continued actions with regard to supervisory, legal, and economic reforms.

The new Federal Law on Communications sets the legal basis for the telecommunications business in Russia and defines the status that state bodies have in the telecommunications sector. In addition, the law created a universal service fund ("USF") charge, which became effective May 3, 2005, calculated as 1.2% of revenue from services provided to customers, excluding interconnection and other operators' traffic routing revenue. The Company has incurred approximately \$30.3 million in USF charges for May through December 2005 which is recorded in other operating expenses. In addition, a recent amendment to the Federal Law on Communications which is planned to become effective July 1, 2006 will implement the "calling party pays," or CPP, principle prohibiting mobile operators from charging their subscribers for incoming calls. Generally operators charge subscribers for incoming calls. Under the new system, fixed line operators will begin charging their subscribers for such calls and transfer a percentage of the charge to mobile operators terminating such calls while mobile operators will not. The introduction of CPP may have a negative impact on the Group's service revenues depending on the settlement rate between mobile and fixed line operators set by the government. While the impact of this regulatory change at this point is uncertain due to the insufficient information made available to the market by the regulator, management believes it will not have a material adverse effect for the Group.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

22. COMMITMENTS AND CONTINGENCIES (Continued)

Russia currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax ("VAT"), corporate income tax (profits tax), a number of turnover-based taxes, and payroll (social) taxes, together with others. Laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, the government's implementation of these regulations is often inconsistent or nonexistent. Accordingly, few precedents with regard to tax rulings have been established. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Russia that is more significant than typically found in countries with more developed tax systems.

In March 2005, the Russian tax authorities audited MTS OJSC's compliance with tax legislation for the year ended December 31, 2002. Based on the results of this audit, the Russian tax authorities assessed that 372,153 thousand rubles (approximately \$12.9 million as at December 31, 2005) of additional taxes, penalties and fines were payable by the Group. The Group has prepared and filed with the Arbitrary Court of Moscow a petition to recognize the tax authorities' resolution to be partially invalid. The amount of disputed taxes and fines equals 281,504 thousand rubles (approximately \$9.8 million). The Group has already passed three court hearings which resulted in court judgments in favour of the Group, while one sitting remains. Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year. As of December 31, 2005, tax declarations of the Group for the preceding three fiscal years were open for further review.

There are regulatory uncertainties in Ukraine related to treatment for VAT purposes of contributions payable to the Ukrainian pension fund ("Pension Fund") in respect of the consumption of telecommunication services by customers. The additional VAT calculated on the Pension Fund contribution could be up to \$38.1 million as of December 31, 2005. This amount includes \$13.5 million which was claimed by the tax authorities during their recent tax audit. In 2005, UMC initiated a litigation case in respect of this issue against the tax authorities, and has received favorable rulings from the courts of two instances, which are expected to become subject to further appeal from the tax authorities. Management believes that VAT was not applicable to the Pension Fund contribution during the period under review. Further, management believes that UMC is in line with industry practice and intends to defend its position. As of December 31, 2005, no VAT in relation to the above had been accrued in the Group's consolidated financial statements or paid to the tax authorities.

During 2005, a number of amendments to the Law on VAT were introduced, which resulted in uncertainty in respect of treatment of Pension Fund charges for the purposes of VAT and corporate income tax. As a result of this uncertainty, the accompanying consolidated financial statements reflect a provision for VAT charges of \$6.0 million, which is included within accrued liabilities. The maximum exposure of this risk on UMC's income tax position as of December 31, 2005, amounts to \$7.5 million plus penalties of up to 100% of tax liability. No provision was created in the accompanying consolidated financial statements as a result of this risk.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

22. COMMITMENTS AND CONTINGENCIES (Continued)

In the ordinary course of business, MTS may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which MTS operates. In the opinion of management, the MTS's liability, if any, in all pending litigation, other legal proceeding or other matters will not have a material effect upon the financial condition, results of operations or liquidity of MTS.

Management believes that it has adequately provided for tax liabilities in the accompanying consolidated financial statements; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

The Group's operations in Turkmenistan are subject to certain restrictions in accordance with local regulatory environment including, but not limited to, hard currency sale on the local market and hard currency repatriation. The effect of those restrictions on the financial statements is not material.

23. SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", established standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise engaging in business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker or group in deciding how to allocate resources and in assessing performance.

As a result of reorganization of the Group's management structure started in 2004 there was created a new intermediate management level named macro-regions, which is intended to replace the legal entities-based management structure. Each macro-region ("MR") consists of 3 to 8 operational regions, excluding macro-region Moscow, that consists of one region. Commencing January 2005, the Group's business is organized and managed by ten Russian macro-regions and foreign subsidiaries. Management of the Group regularly reviews certain operational and financial information by macro-regions, therefore segment information below is presented on macro-regional basis. Discrete financial information on this basis is available starting from 2005. The Group has restated the corresponding items of segment information for the year 2004, however it is impracticable to do so for the year 2003.

Intercompany eliminations presented below consist primarily of the following items: intercompany sales transactions, elimination of gross margin in inventory and other intercompany transactions conducted under the normal course of operations.

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

23. SEGMENT INFORMATION (Continued)

At December 31, 2005, the Group has several operating segments, of which six are reportable segments macro-regions Moscow, North-West, South, Siberia, Far East and Ukraine.

	<u>Year ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Revenue:		
MR Moscow	\$ 1,867,435	\$ 1,693,685
MR Ukraine	1,201,827	832,313
MR North-West	384,743	347,881
MR South	347,819	260,173
MR Siberia	296,353	225,188
MR Far East	282,925	110,562
Other	1,054,871	810,855
Intercompany eliminations	(424,955)	(393,663)
Total revenue	<u>\$ 5,011,018</u>	<u>\$ 3,886,994</u>
Depreciation and amortization:		
MR Moscow	\$ 224,653	\$ 194,873
MR Ukraine	153,795	124,935
MR North-West	86,244	64,036
MR South	91,407	81,749
MR Siberia	54,846	39,548
MR Far East	42,776	15,572
Other	257,944	158,333
Intercompany eliminations	(4,552)	(3,317)
Total depreciation and amortization	<u>\$ 907,113</u>	<u>\$ 675,729</u>
Operating income:		
MR Moscow	\$ 630,300	\$ 585,735
MR Ukraine	431,292	317,860
MR North-West	131,397	126,791
MR South	80,929	67,209
MR Siberia	71,376	71,437
MR Far East	78,510	37,856
Other	213,861	217,021
Intercompany eliminations	(5,634)	(4,846)
Total operating income	<u>\$ 1,632,031</u>	<u>\$ 1,419,063</u>
Total operating income	\$ 1,632,031	\$ 1,419,063
Currency exchange and transaction gains	(10,319)	(6,529)
Interest income	(24,828)	(21,792)
Interest expense	132,474	107,956
Equity in net income of associates	(42,361)	(24,146)
Other expenses/(income)	13,211	(9,310)
Income before provision for income taxes and minority interest	<u>\$ 1,563,854</u>	<u>\$ 1,372,884</u>

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

23. SEGMENT INFORMATION (Continued)

	Year ended December 31,	
	2005	2004
Additions to long-lived assets:		
MR Moscow	\$ 632,659	\$ 493,086
MR Ukraine	719,279	303,761
MR North-West	150,570	158,494
MR South	144,449	198,287
MR Siberia	112,062	90,277
MR Far East	90,326	241,716
Other	488,891	343,529
Total additions to long-lived assets	<u>\$ 2,338,236</u>	<u>\$ 1,829,150</u>
Goodwill:		
MR Moscow	\$ —	\$ —
MR Ukraine	8,000	8,000
MR North-West	—	—
MR South	26,302	—
MR Siberia	—	—
MR Far East	33,494	30,590
Other	87,425	69,739
Total goodwill	<u>\$ 155,221</u>	<u>\$ 108,329</u>
Long-lived assets:		
MR Moscow	\$ 1,855,619	\$ 1,434,101
MR Ukraine	1,390,966	838,020
MR North-West	398,739	344,691
MR South	430,197	362,772
MR Siberia	294,195	227,112
MR Far East	292,414	248,566
Other	1,306,951	1,024,597
Intercompany eliminations.	(47,040)	(37,408)
Total long-lived assets	<u>\$ 5,922,041</u>	<u>\$ 4,442,451</u>
Total assets:		
MR Moscow	\$ 2,729,964	\$ 2,348,288
MR Ukraine	1,560,762	993,997
MR North-West	458,829	418,131
MR South	491,352	498,695
MR Siberia	448,320	307,408
MR Far East	384,020	303,384
Other	1,934,150	1,172,691
Intercompany eliminations	(461,617)	(461,407)
Total assets	<u>\$ 7,545,780</u>	<u>\$ 5,581,187</u>

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

23. SEGMENT INFORMATION (Continued)

For comparative purposes the segment information is presented below on a prior years basis.

	Year ended December 31,		
	2005	2004	2003
Revenue:			
MTS OJSC	\$ 2,360,542	\$ 2,129,544	\$ 1,471,198
UMC(1)	1,201,827	832,313	394,038
Telecom XXI(2)	382,897	297,194	210,460
Kuban GSM(2)	270,157	225,350	168,401
Other	1,220,550	796,256	432,770
Intercompany eliminations	(424,955)	(393,663)	(130,669)
Total revenue	\$ 5,011,018	\$ 3,886,994	\$ 2,546,198
Depreciation and amortization:			
MTS OJSC	\$ 331,642	\$ 253,485	\$ 199,946
UMC	153,795	124,935	66,392
Telecom XXI	86,138	57,265	36,782
Kuban GSM	67,927	68,140	32,299
Other	272,163	175,221	82,185
Intercompany eliminations	(4,552)	(3,317)	(1,688)
Total depreciation and amortization	\$ 907,113	\$ 675,729	\$ 415,916
Operating income:			
MTS OJSC	\$ 672,666	\$ 728,101	\$ 527,837
UMC	431,292	317,860	131,704
Telecom XXI	131,318	104,936	80,632
Kuban GSM	99,904	74,622	74,599
Other	302,485	198,390	123,577
Intercompany eliminations	(5,634)	(4,846)	(15,751)
Total operating income	\$ 1,632,031	\$ 1,419,063	\$ 922,598
Total operating income	\$ 1,632,031	\$ 1,419,063	\$ 922,598
Currency exchange and transaction gains	(10,319)	(6,529)	(693)
Interest income	(24,828)	(21,792)	(18,076)
Interest expense	132,474	107,956	106,551
Equity in net income of associates	(42,361)	(24,146)	(2,670)
Other expenses/(income)	13,211	(9,310)	6,090
Income before provision for income taxes and minority interest	\$ 1,563,854	\$ 1,372,884	\$ 831,396
Additions to long-lived assets:			
MTS OJSC	\$ 760,471	\$ 679,023	\$ 389,446
UMC(1)	719,279	303,761	900,465
Telecom XXI	214,207	62,333	174,128
Kuban GSM	50,570	69,689	172,949
Other	593,709	714,344	393,526
Total additions to long-lived assets	\$ 2,338,236	\$ 1,829,150	\$ 2,030,514

(1) Acquired in March 2003.

(2) merged with MTS OJSC on July 1, 2005

OJSC MOBILE TELESYSTEMS AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Amounts in thousands of U.S. dollars, except share and per share amounts or if otherwise stated)

23. SEGMENT INFORMATION (Continued)

	December, 31	
	2005	2004
Long-lived assets:		
MTS OJSC	\$ 2,371,664	\$ 1,891,869
UMC, including goodwill in the amount of \$8,398 as of December 31, 2005 and 2004	1,390,966	838,020
Telecom XXI	398,217	295,505
Kuban GSM	263,684	279,883
Other, including goodwill in amounts of \$146,823 and \$100,329 as of December 31, 2005 and 2004, respectively	1,544,550	1,174,582
Intercompany eliminations	(47,040)	(37,408)
Total long-lived assets	<u>\$ 5,922,041</u>	<u>\$ 4,442,451</u>
Total assets:		
MTS OJSC	\$ 5,224,821	\$ 2,717,814
UMC	1,560,762	993,997
Telecom XXI	456,469	363,888
Kuban GSM	317,841	393,656
Other	447,504	1,573,239
Intercompany eliminations	(461,617)	(461,407)
Total assets	<u>\$ 7,545,780</u>	<u>\$ 5,581,187</u>

24. SUBSEQUENT EVENTS

Merger—On March 31, 2006, the Russian registration authority approved the merger of nine wholly-owned MTS subsidiaries in Russia into MTS OJSC. These subsidiaries are Gorizont RT, TAIF Telcom, MTS-RTK, Sibchallenge, Tomsk Cellular Communications (“TSS”), BM Telekom, Far East Cellular Systems-900 (“FECS—900”), Siberian Cellular Systems—900 (“SCS-900”) and Uraltel. The merger was completed in line with the Group’s strategy to consolidate administratively all its majority-owned subsidiaries and improve management efficiency.

HSBC Bank plc—In January 2006, MTS OJSC entered into a credit facility agreement with HSBC Bank plc. The facility allows borrowing of up to \$100.0 million. The funds received will be used for general corporate purposes. The loan bears interest of LIBOR+0.75% per annum. An arrangement fee in the amount of \$0.6 million should be paid in accordance with the agreement. The facility should be repaid by July 2006.

Syndicated loan—On April 21, 2006, MTS OJSC signed a syndicated loan facility with international financial institutions: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bayerische Landesbank, HSBC Bank plc, ING Bank N.V., Raiffeisen Zentralbank Oesterreich AG, Sumitomo Mitsui Banking Corporation Europe Limited. The facility allows the Group to borrow up to a \$1,330.0 million and is available in two tranches of \$630.0 million and \$700.0 million. The proceeds will be used by OJSC MTS for general corporate purposes, including acquisitions and refinancing of existing indebtedness. The first tranche bears interest of LIBOR+0.80% per annum and matures in 3 years. The second tranche matures in April 2011, bears interest of LIBOR+1.00% per annum within the first three years and LIBOR+1.15% per annum thereafter and is repayable in 13 equal quarterly installments, commencing in April, 2008. These notes are subject to certain restrictive covenants, including, but not limited to, certain financial ratios, limitations on dispositions of assets and limitations on transactions with associates.

DOC 2 Header

Approved by the Annual General
Meeting of Shareholders of
Mobile TeleSystems Open Joint Stock Company
dated June 23, 2006

CHARTER
OF
MOBILE TELESYSTEMS
OPEN JOINT STOCK COMPANY
(Restated version No. 4)

Moscow, 2006

1. General Provisions

1.1. Mobile TeleSystems Open Joint Stock Company (hereinafter the “Company”) was registered by the State Registration Chamber of the Ministry of Justice of the Russian Federation on 1 March 2000, registration number № R-7882.16. An entry was made on 2 September 2002 in the Consolidated State Register of Legal Entities by the Moscow Department of the Ministry for Taxes and Levies of the Russian Federation, concerning an entity registered prior to 1 July 2002, under Primary State Registration Number (OGRN) 1027700149124. The Company has been created and operates in accordance with the Civil Code of the Russian Federation, the Federal Law “On Joint Stock Companies”, the Federal Law “On Foreign Investments in the Russian Federation” and other current legislation of the Russian Federation and this Charter.

The Company was created by the consolidation of Mobile TeleSystems Closed Joint Stock Company (registered on 28 October 1993 by the Moscow Registration Chamber, registration number 027.941, and by the State Registration Chamber on 21 September 1994, registration number R-3566.16) and Russian Telephone Company Closed Joint Stock Company (registered by the Moscow Registration Chamber on 21 July 1995, registration number 634.535, and by the State Registration Chamber on 19 August 1996, registration number R-6068.16).

The Company is the legal successor in respect of all rights and obligations of Mobile TeleSystems Closed Joint Stock Company and Russian Telephone Company Closed Joint Stock Company.

The Company is the legal successor to all rights and obligations of Rosico Closed Joint Stock Company (registered by the Moscow Registration Chamber of the Moscow Government on 4 March 1994 under number 005.821 and entered into the Consolidated State Register of Legal Entities on 18 December 2002 by the Moscow Department of the Russian Ministry for Taxes and Levies under primary state registration number 1027700547126), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company on 9 June 2003.

The Company is the legal successor to all rights and obligations of Amur Cellular Communications Closed Joint Stock Company (registered by the Administration of Blagoveshchensk on 11 April 1996 under number 189P and entered into the Consolidated State Register of Legal Entities on 27 August 2002 by the Russian Ministry for Taxes and Levies Interdistrict Inspectorate No. 1 for Amur Region under primary state registration number 1022800511810), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Dontelecom Closed Joint Stock Company (registered by the Administration of Rostov Region on 14 April 1994 under number CII-1160/231 and entered into the Consolidated State Register of Legal Entities on 25 October 2002 by the Russian Ministry for Taxes and Levies Inspectorate for the Proletarsky District of Rostov-on-Don under primary state registration number 1026104143944), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Kuban-GSM Closed Joint Stock Company (registered by the Krasnodar Registration Chamber on 15 May 1997 under number 6948 and entered into the Consolidated State Register of Legal Entities on 30 July 2002 by the Russian Ministry for Taxes and Levies Inspectorate for Krasnodar under primary state registration number 1022301190779), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Mobile TeleSystems-Barnaul Closed Joint Stock Company (registered by the Order of the Administration of the Otyabrsky District of Barnaul on 25 April 2000 under number 1287 and entered into the Consolidated State Register of Legal Entities on 30 September 2002 by the Russian Ministry for Taxes and Levies Inspectorate for Otyabrsky District of Barnaul, Altai Territory under primary state registration number 102201506854), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Mobile TeleSystems-Nizhni Novgorod Closed Joint Stock Company (registered by the Nizhni Novgorod Registration Chamber on 22 January 2001 under number 4583 and entered into the Consolidated State Register of Legal Entities on 14 August 2002 by the Russian Ministry for Taxes and Levies Inspectorate for the Soviet District of Nizhni Novgorod under primary state registration number 1025203721168), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Telecom-900 Closed Joint Stock Company (registered by the Moscow Registration Chamber on 02 September 1999 under number 001.455.369 and entered into the Consolidated State Register of Legal Entities on 11 September 2002 by the Russian Ministry for Taxes and Levies Interdistrict Inspectorate No. 39 for Moscow under primary state registration number 1027739174682), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Telecom-XXI Open Joint Stock Company (registered by the Resolution of the Saint Petersburg Registration Chamber on 04 April 1997 under number 68581 and entered into the Consolidated State Register of Legal Entities on 21 August 2002 by the Russian Ministry for Taxes and Levies Inspectorate for the Central District of Saint Petersburg under primary state registration number 1027809176031), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Udmurt Digital Networks-900 Closed Joint Stock Company (registered by the Administration of the Otyabrsky District of Izhevsk, Udmurt Republic on 21 May 1996 under number 598/1 and entered into the Consolidated State Register of Legal Entities on 10 December 2002 by the Russian Ministry for Taxes and Levies Inspectorate for the Otyabrsky District of Izhevsk, Republic of Udmurtia under primary state registration number 1021801168058), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Horizon-RT Open Joint Stock Company (registered by the Russian Ministry for Taxes and Levies Inspectorate for Yakutsk, Sakha Republic (Yakutia) on 26 September 2003 and entered into the Consolidated State Register of Legal Entities on 26 September 2003 by the Russian Ministry for Taxes and Levies Inspectorate for Yakutsk, Sakha Republic (Yakutia) under primary state registration number 1031402065419), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Uraltel Closed Joint Stock Company (registered by the Government of the Sverdlovsk Region on 23 July 1993 under number P-2417.16 and entered into the Consolidated State Register of Legal Entities on 7 October 2002 by the Russian Ministry for Taxes and Levies Inspectorate for the Verkh-Issetsky District of Ekaterinburg under primary state registration number 1026602321206), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Far East Cellular Systems-900 Closed Joint Stock Company (registered by the Administration of Khabarovsk on 17 July 1996 under number 002753-AГ and entered into the Consolidated State Register of Legal Entities on 30 July 2002 by the Russian Ministry for Taxes and Levies Inspectorate for the Central District of Khabarovsk under primary state registration number 1022700911122), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Siberian Cellular Systems-900 Closed Joint Stock Company (registered by the Novosibirsk Municipal Registration Chamber on 29 November 1996 under number 7816 and entered into the Consolidated State Register of Legal Entities on 23 November 2002 by the Russian Ministry for Taxes and Levies Inspectorate for the Central District of Novosibirsk under primary state registration number 1025402480102), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of TAIF-TELCOM Open Joint Stock Company (registered by the State Registration Chamber with the Ministry of Justice of the Republic of Tatarstan on 4 April 2000 under number 1213/κ-1 (50-02) and entered into the Consolidated State Register of Legal Entities on 23 July 2002 by the Russian Ministry for Taxes and Levies Interdistrict Inspectorate No. 14 for the Republic of Tatarstan under primary state registration number 1021602825397), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of Tomsk Cellular Communications Closed Joint Stock Company (registered by the Federal Tax Service Inspectorate for Tomsk on 30 September 2005 and entered into the Consolidated State Register of Legal Entities on 30 September 2005 by the Federal Tax Service Inspectorate for Tomsk under primary state registration number 1057002621280), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of SibChallenge Closed Joint Stock Company (registered by the Federal Tax Service Inspectorate for the Central District of Krasnoyarsk on 3 October 2005 and entered into the Consolidated State Register of Legal Entities on 3 October 2005 by the Federal Tax Service Inspectorate for the Central District of Krasnoyarsk under primary state registration number 1052466370648), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of BM Telecom Closed Joint Stock Company (registered by the Federal Tax Service Inspectorate for the Octyabrsky District of Ufa on 3 October 2005 and entered into the Consolidated State Register of Legal Entities on 3 October 2005 by the Federal Tax Service Inspectorate for the Octyabrsky District of Ufa under primary state registration number 1050204327557), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the legal successor to all rights and obligations of MTS-RTK Closed Joint Stock Company (registered by the Federal Tax Service Interdistrict Inspectorate No. 46 for Moscow on 4 October 2005 and entered into the Consolidated State Register of Legal Entities on 4 October 2005 by the Federal Tax Service Interdistrict Inspectorate No. 46 for Moscow under primary state registration number 1057748460660), which was reorganized by merger into Mobile TeleSystems Open Joint Stock Company.

The Company shall carry out its economic activity on the basis of the current legislation of the Russian Federation and this Charter.

1.2. The full trade name of the Company in the Russian language shall be: Открытое акционерное общество «Мобильные ТелеСистемы.»

The full trade name of the Company in the English language shall be: Mobile TeleSystems Open Joint Stock Company.

The abbreviated trade name of the Company in Russian shall be: ОАО «МТС» or ОАО «Мобильные ТелеСистемы».

The abbreviated trade name of the Company in English shall be: MTS OJSC

1.3. The Company shall be a legal entity under the legislation of the Russian Federation and have its own property and funds, an independent balance sheet, a settlement account and other accounts at banks (including a foreign currency account), a seal specifying the name of the Company in the Russian and English languages, letterhead bearing its name, its own logo and trademark, and other requisites.

1.4. The Company shall acquire the rights of a legal entity upon its state registration.

1.5. The duration of the Company shall be unlimited.

1.6. The shareholders of the Company (“Shareholders”) shall not be liable for the obligations of the Company and shall bear the risk of losses associated with the Company’s activity to the extent of the value of the Shares owned by them, unless otherwise is stipulated by the existing law, and the Company shall not be liable for the obligations of the Shareholders.

1.7. The Company shall not be liable for the obligations of the State, nor shall the State be liable for the obligations of the Company.

1.8. In the course of its activity the Company may create branches and representative offices in accordance with current legislation in the territory of the Russian Federation and abroad, as well as participate in the capital of other organizations.

1.9. The official languages of the Company shall be English and Russian. The Company’s documents shall be in the Russian language. The board of directors of the Company (“Board of Directors”) shall, taking into account the provisions of this Charter, approve the list of the Company’s documents that must be prepared in the English and Russian languages. The texts of such documents shall be authentic and have identical force.

1.10. The location of the Company shall be: 4 Marksistskaya St., Moscow 109147, Russia.

2. Purpose and Principal Lines of Activity

2.1. The purpose of the Company’s economic activities shall be to obtain profits through the planning, marketing, and operation of a radiotelephone mobile cellular network in the regions specified in licenses issued by the Ministry of Communication of the Russian Federation. In order to achieve this purpose, the Company’s activities shall include:

- cooperation with national and/or international operators of the Global System for Mobile Communications (GSM) in the territory of the Russian Federation and elsewhere to provide for an optimum level of service to clients of the Company;
- cooperation with particular operators of telephone networks in Moscow and the Russian Federation, as well as with the operators of international communication networks;
- performance of settlements with clients, as well as commercial and financial management of the network in accordance with accepted international practice;
- performance and marketing of additional services of mobile communication systems;
- import, sales, leasing, installation and maintenance of terminals and related devices;
- operation and maintenance of monitoring equipment for GSM networks; and
- conduct of any other activity in accordance with resolutions of the Board of Directors and the Meeting of Shareholders that facilitate the achievement of the Company's principal goals.

2.2. The Company shall carry out foreign economic activities both independently and through other organizations entitled to operate on the foreign market in accordance with current legislation.

2.3. The Company may carry out activities for which a license is required only if it holds a valid license to carry out such activity or has entered into contractual relations with a holder of the appropriate license.

3. Rights of the Company

3.1. In accordance with its purpose and lines of activity, the Company shall have the right:

- to enter, both within the Russian Federation and elsewhere, into any legal transactions and to execute other legally significant actions regarding legal entities or individuals;
- in the interests of the Company to own, use, and dispose of material assets and other assets transferred to the Company's ownership or use or acquired in the course of its economic activities, as well as monetary funds held in bank accounts, subject to the requirements of this Charter and current legislation;
- to independently use profits that remain after taxes and other compulsory payments and settlements have been paid;
- to acquire property rights and personal non-property rights and bear responsibilities; to be a claimant or respondent in a court or arbitration court or before an arbitral tribunal, and to perform other actions not contrary to legislation;
- to acquire, alienate, and rent, in the Russian Federation and elsewhere, enterprises and movable and immovable property necessary for the Company's activity;
- to independently plan its production and economic activities and the social development of its employees;
- to use loans in rubles and in foreign currency at banks, organizations, and enterprises in the Russian Federation and elsewhere; to acquire foreign currency at auctions, on currency exchanges, and from legal entities and citizens on the terms established by current legislation;
- to invest monetary funds in domestic loan bonds, bank certificates, and other securities in circulation; to hold auctions, lotteries, and exhibitions; and to conduct operations on commodity and stock exchanges;
- to engage legal entities and individuals to work in the lines of its activity on the basis of civil-law contracts at wages agreed by the parties;
- to independently set the total number of employees and their professional and qualification standards; to approve the permanent staff of the Company and the branches, representatives offices, and divisions created by it; to determine forms and systems of wages and the shift system of work, and to adopt resolutions on the implementation of combined accounting of work hours;
- to use all non-prohibited means of communication (including international, telex, telephone, and facsimile);
- to enjoy other rights provided for by current legislation.

4. Rights and Obligations of the Company's Shareholders

4.1. In addition to the rights provided for by other articles of this Charter, the Shareholders shall have the right:

- to freely assign the shares owned by them, including by way of sale, gift, bequest, pledge, or otherwise alienate or encumber their shares in any way, without the consent of the other

Shareholders in accordance with applicable legislation, on condition of compliance with the provisions of this Charter.

- to receive dividends;
- to participate in direct or remote voting at the general meeting of shareholders of the Company (“General Meeting of Shareholders”) on all issues within its competence;
- to transfer voting right to other Shareholders or to their own representatives pursuant to power of attorney;
- to nominate and elect candidates to the management and supervisory bodies of the Company in the manner and on the terms established by this Charter;
- in the manner and on the terms established by this Charter, to submit for consideration by the management bodies of the Company, in accordance with their competence, proposals concerning the Company’s activities, the state of its property, and the size of its profits and losses;
- to elect and be elected to the management and supervisory bodies of the Company;
- in the cases provided for by the Charter, to elect the working bodies of the General Meeting of Shareholders;
- to demand the calling of an extraordinary General Meeting of Shareholders or an unscheduled audit of the Company’s activities by the audit commission of the Company (“Audit Commission”) or by an independent auditor in the manner and on the terms established by the legislation of the Russian Federation and this Charter;
- to demand the redemption by the Company of some or all of the shares owned by them in the manner and in the cases established by the legislation of the Russian Federation and the Company’s Charter.
- in the event that the Company is liquidated, to receive a portion of its property;
- to have free access to the Company’s documents, in the manner established by the legislation of the Russian Federation and this Charter, and to receive copies thereof for a reasonable fee;
- to exercise other rights provided for by this Charter, the legislation of the Russian Federation, and resolutions of the General Meeting of Shareholders adopted in accordance with its competence.

4.2. In addition to the obligations stipulated in other articles of this Charter, the Shareholders shall be obligated:

- to pay for shares in the manner and amount and by the means established by the Civil Code of the Russian Federation, the Federal Law of the Russian Federation “On Joint Stock Companies,” other legislation of the Russian Federation, the Company’s Charter, and the appropriate Decision on Issuance of Securities;
- to fulfill the requirements of the Charter and the resolutions of the General Meeting of Shareholders;
- to refrain from any intentional activities that might cause harm to the Company;
- not to divulge confidential information concerning the Company’s activities.

Shareholders who have not paid for their shares in full shall bear joint and several liability for the Company’s obligations to the extent of the unpaid value of the shares belonging to them.

5. Charter Capital of the Company

5.1. The Company shall have a Charter Capital equal to 199 332 613 rubles 80 kopecks (one hundred ninety-nine million three hundred thirty-two thousand six hundred thirteen rubles eighty kopecks), divided into 1 993 326 138 (one billion nine hundred ninety-three million three hundred twenty-six thousand one hundred thirty-eight) registered common shares with a par value of 0.1 (one-tenth) of one ruble (or 10 (ten) kopecks) each, acquired by Shareholders.

The Charter Capital shall consist of the aforesaid par value of registered common shares acquired by the Shareholders (placed shares), namely, 1 993 326 138 (one billion nine hundred ninety-three million three hundred twenty-six thousand one hundred thirty-eight) shares. The Charter Capital of the Company has been fully paid.

5.2. The Charter Capital may be changed pursuant to a resolution of the General Meeting of Shareholders or the Board of Directors in accordance with the Federal Law “On Joint Stock Companies” and other current legislation.

5.3. Increase of the Charter Capital.

5.3.1. The Company shall be entitled to increase the Charter Capital of the Company by increasing the par value of all placed shares or by placing additional shares.

5.3.2. Additional shares may be placed by the Company only within the limit of the number of authorized shares established by the Charter.

5.4. In addition to the placed registered common shares, the Company declares (shall have the right to place) 103 649 654 (one hundred and three million six hundred forty-nine thousand six hundred fifty-four) registered common shares with a par value of 0.1 (one-tenth) of one ruble each to a total par value of 10 364 965 rubles 40 kopecks (ten million three hundred sixty-four thousand nine hundred sixty-five rubles forty kopecks)

After the placement the declared registered common shares of the Company grant the equal volume of rights, as provided for the placed registered shares of the Company by Article 4 of this Charter.

5.5. Decrease in the Charter Capital.

5.5.1. The Charter Capital of the Company may be decreased by decreasing the par value of all placed shares of the Company equally or by reducing their total number, including by acquiring and canceling some of the placed shares,

6. Property and Funds of the Company

6.1. The property of the Company shall consist of fixed assets and working capital, material assets, securities, and other financial resources whose value is reported on the independent balance sheet of the Company.

The sources for forming the property of the Company shall be:

- funds received by legal succession in conjunction with the creation and reorganization of the Company;
- funds received from Shareholders in payment for shares;
- income from the sale of products (work, services) produced by the Company;
- loans from banks and other creditors;
- other sources not prohibited by current legislation.

6.2. Profits remaining after the payment of taxes and other compulsory payments (net profit) shall be at the complete disposition of the Company.

The Company may independently form the funds required for its activity. The Company shall independently determine the composition, purpose, sources of formation, and manner of use of funds.

The Company establishes a reserve fund equal to 15 percent of the Charter Capital.

Annual contributions to the reserve fund must be at least 5 percent of the Company's net profit until the level of 15 percent of the Charter Capital is attained.

6.3. The Company shall sell the products (works, services) produced by it at prices and tariffs set independently or contractually, or, in the cases provided for by current legislation of the Russian Federation, at prices set by the state.

6.4. Losses arising in the course of the Company's activity shall be covered out of the reserve fund and, in case of the insufficiency thereof, out of other sources.

7. Shares

7.1. The Company shall have the right to issue registered common shares, preferred shares, and other securities provided for by legal acts of the Russian Federation. Preferred shares may be issued only after corresponding amendments have been made to the Charter of the Company pursuant to a resolution of the General Meeting of Shareholders. Owners of shares shall be registered in a Register of Shareholders, which must include the data required by legislation.

7.2. All common shares of the Company shall have the same par value and grant to the Shareholders who own them an identical amount of rights.

7.3. Common shares of the Company shall be voting shares in respect of all issues within the competence of the General Meeting of Shareholders.

7.4. In the event that the Company is liquidated, the Shareholders shall share in the distribution of its assets in the order of priority established by current legislation of the Russian Federation.

7.5. Shares shall be issued in uncertificated form, and payment for shares shall be made in accordance with the resolution respecting their placement.

7.6. In the event that it is impossible for a Shareholder to acquire a whole number of shares when exercising its preemptive right to acquire additional shares or during the consolidation of shares, parts of shares are formed (“fractional shares”). A fractional share grants the Shareholder who owns it the rights conferred by shares of the same category (class) in a volume corresponding to that fraction of a whole share which it represents.

For the purposes of reflecting in the Charter of the Company the total number of placed shares, all placed fractional shares shall be summed up. If this does not yield a whole number, the number of placed shares shall be reflected in the Charter of the Company as a non-integral.

Fractional shares shall circulate on a par with whole shares. In the event that one party acquires two or more fractional shares of the same category (class), such shares shall form one whole share and (or) a fractional share, equal to the sum of such fractional shares.

7.7. Procedure for alienation of shares of the Company.

7.7.1. Shares of the Company may be alienated in favor of third parties. A Shareholder may alienate his shares in the manner established by legislation.

7.7.2. A person who acquired more than 30 percent of the placed common shares of the Company, including shares owned by this person and its affiliated persons, within 35 days after the date when an appropriate credit entry was made in the personal account (custody account) shall forward to the shareholders who own of the remaining common shares of the Company and to the holders of emissive securities convertible into such shares a public offer to purchase such securities from them (hereinafter the “mandatory offer”) in accordance with the procedure established by the law of the Russian Federation.

7.7.3. From the date of acquisition of more than 30% of the total number of the Company’s common shares to the date of forwarding the mandatory offer to the Company in accordance with requirements of the Federal Law “On Joint Stock Companies” the person who has acquired more than 30% of placed common shares of the Company, including shares owned by this person and its affiliated persons, and its affiliated persons shall have voting rights only with respect to shares that constitute 30% of such shares. And the remaining shares owned by such person and its affiliated persons shall not be counted in determination of quorum.

7.7.4. Provisions of clause 7.7.2 and 7.7.3 of the Charter shall cover the acquisition of a portion of the placed common shares of the Company exceeding 50% and 70% of the total number of the placed common shares of the Company. In such case the voting right limitations as stipulated by clause 7.7.3 hereof shall only cover newly acquired shares in excess of the respective portion.

7.7.5. A person that in cases provided for by the Federal Law “On Joint Stock Companies” has become an owner of more than 95% of the total number of the Company’s common shares, including shares owned by this person and its affiliated persons, shall redeem the remaining common shares of the Company owned by other persons as well as emissive securities convertible into such shares on request of the owners thereof following the procedure established by the Federal Law “On Joint Stock Companies”.

7.7.6. A person that in cases provided for by the Federal Law “On Joint Stock Companies” became an owner of more than 95% of the total number of the Company’s common shares, including shares owned by this person and its affiliated persons, may redeem the remaining common shares of the Company owned by other persons as well as emissive securities convertible into such shares irrespective on consent of the owners of the remaining common shares (securities convertible into such shares) in accordance with procedure established by the Federal Law “On Joint Stock Companies”.

7.7.7. Unless otherwise established by law, the Company may acquire shares placed by it in accordance with the provisions of the Federal Law “On Joint Stock Companies” pursuant to a resolution of the General Meeting of Shareholders to reduce the Charter Capital of the Company by acquiring some of the placed shares for the purpose of decreasing their total number. Shares acquired by the Company on the basis of such a resolution shall be cancelled upon the acquisition thereof.

The Company shall have the right to acquire shares it has placed by resolution of the Board of Directors.

The Company shall not have the right to adopt a resolution on acquisition of shares by the Company if the par value of shares of the Company which are in circulation is less than 90 percent of the Charter Capital of the Company.

Shares acquired by the Company in accordance with the second paragraph of this clause shall not confer the right to vote, shall not be counted when votes are tallied and no dividends shall accrue on them. Such shares shall be sold at their market value no later than one year from the date of their

acquisition. If such is not the case, the General Meeting of Shareholders of the Company is obligated to adopt a resolution on reducing the Charter Capital of the Company by redeeming the aforementioned shares.

A resolution on acquiring shares shall specify the category (class) of shares that are to be acquired, the number of shares of each category (class) being acquired by the Company, the purchase price, the form and period of payment, and the period within which the shares are to be acquired.

Shares may be paid for with money or other property. The period within which shares are acquired cannot be less than 30 days.

The Shareholder of the Company, who owns the shares of the category (class) of shares that are to be acquired by the Company, shall have a right to sell such shares to the Company and the Company is obligated to buy them. In the event that the total number of shares offered for sale to the Company by the shareholders is more than the total number of shares to be acquired by the Company, considering the restrictions imposed by current legislation of the Russian Federation, the shares shall be acquired on pro rata basis.

7.7.8. In the event of the reorganization or liquidation of a Shareholder that is a legal entity or the death of a Shareholder who is an individual, the successors (heirs) thereof shall become Shareholders of the Company. Inheritance or succession of shares shall take place in accordance with the general civil procedure.

7.7.9. A new owner of shares and other securities of the Company shall be obligated to communicate, within a reasonable period of time, all necessary details about himself for the purposes of their entry into the Register of Shareholders and Owners of Registered Securities of the Company.

7.8. Consolidation and splitting of shares.

7.8.1. The Company shall have the right, pursuant to a resolution of the General Meeting of Shareholders, to carry out a consolidation of placed shares, thereby causing two or more shares of the Company to be converted into one new share of the same category (class). Therewith, corresponding amendments regarding the par value and number of placed and authorized shares of the Company of respective category (class) shall be made to the Charter of the Company.

7.8.2. The Company shall have the right, pursuant to a resolution of the General Meeting of Shareholders, to conduct a split of placed shares of the Company, thereby causing one share of the Company to be converted into two or more shares of the Company of the same category (class). Therewith, corresponding amendments regarding the par value and number of placed and authorized shares of the Company of respective category (class) shall be made to the Charter of the Company.

8. Placement of Shares and Other Securities of the Company.

8.1. Procedure and methods of placement of shares and other securities.

8.1.1. The Company shall place shares at the time of the creation of the Company and when issuing additional shares.

8.1.2. The Company may effect the placement of additional shares and other securities through open subscription (public placement) or closed subscription (private placement) and conversion.

In the event of the increase of the Charter Capital of the Company out of the Company's property the Company implements the placement of additional shares through distribution among shareholders in proportion to the number of shares owned by them.

The methods of placement by the Company of additional shares and other securities shall be established by the resolution respecting their placement.

A resolution on placement by closed subscription of shares and other securities convertible into shares as well as a resolution on placement by open subscription of shares and securities convertible into common shares constituting over 25 percent of previously placed common shares shall be adopted by the General Meeting of Shareholders by three quarters of votes of Shareholders of the voting shares that participate in the General Meeting of Shareholders.

The increase of the Charter Capital of the Company out of the Company's property by the placement of additional shares through distribution among shareholders within the limit of the number and category (class) of the authorized shares only among shareholders in the number proportional to the number of shares owned by them, as well as the placement by open subscription of common shares constituting no more than 25 percent of previously placed common shares of the Company shall be carried out pursuant to a resolution unanimously adopted by all members elected to the Board of Directors of the Company. If an unanimity respecting the issue of the increase of the Charter Capital of the Company has not been reached by the Board of Directors of the Company, then by resolution of the

Board of Directors the issue of the increase of the Charter Capital may be referred to the General Meeting of Shareholders of the Company for decision.

8.1.3. In the cases established by legal acts of the Russian Federation, the placement of additional shares and other securities by the Company shall be done only through open subscription.

8.1.4. Additional shares may be placed by the Company only within the limits of the number of authorized shares established by this Charter.

The Company may not adopt a resolution to place additional shares of a category (class) not established in the Charter of the Company for authorized shares.

A resolution on increasing the Charter Capital of the Company through the placement of additional shares may be adopted by the General Meeting of Shareholders of the Company at the same time as a resolution is adopted on incorporating provisions in the Charter of the Company on authorized shares or on incorporating provisions in the Charter of the Company on declared registered common shares.

8.1.5. Shareholders of the Company shall have the preemptive right to acquire additional shares of the Company placed by open subscription and other securities of the Company convertible into shares in a number proportional to the number of voting shares of the same category (class) which they own.

Shareholders of the Company who have voted against or who have not participated in voting on the placement by closed subscription of shares or other securities convertible into shares shall have the preemptive right to acquire additional shares and other securities convertible into shares, to be placed by closed subscription in a number proportional to the number of voting shares of the same category (class) which they own. This right shall not apply to the placement of shares and other securities convertible into shares carried out by closed subscription only among Shareholders if the Shareholders have the possibility of acquiring a whole number of shares placed or other securities convertible into shares in a number proportional to the number of voting shares of the same category (class) which they own.

If a resolution which constitutes the grounds for placing additional shares and other securities convertible into shares is adopted by the General Meeting of the Company's Shareholders the list of persons that have the preemptive right to acquire additional shares and emissive securities convertible into shares shall be compiled on the basis of information from the Shareholders' Register as of the date of making up a list of persons entitled to participate in such General Meeting of Shareholders. Otherwise the list of persons that have the preemptive right to acquire additional shares and other securities convertible into shares shall be compiled on the basis of information from the Shareholders' Register as of the date of adoption of the resolution which constitutes the grounds for placing additional shares and other securities convertible into shares. For the purpose of preparing the list of persons having the preemptive right to acquire additional shares or other securities convertible into shares, a nominal holder of shares shall submit information on the persons in whose interests he holds the shares.

8.1.6. Persons having the preemptive right to acquire additional shares or other securities convertible into shares of the Company shall be notified of the possibility of exercising such preemptive right, provided by clause 8.1.5 hereof, in accordance with the procedure for serving a notice of a General Meeting of Shareholders set forth in clause 12.12.1 hereof.

The notice shall contain information on the number of shares or other securities convertible into shares which are being placed, the placement price or the procedure for determining the placement price (including the placement price or the procedure for determining the placement price in case the preemptive right of acquisition is exercised), the procedure for determining the number of securities that may be acquired by each person which has the preemptive right to acquire such securities, the procedure for the submission by such persons of applications to the Company for the acquisition of shares and other securities convertible into shares, the time period within which such applications shall be received by the Company (hereinafter the "effective period of the preemptive right") which cannot be less than 45 days from the date when the notice was sent (delivered) or published unless another time period is stipulated by the existing law. In case the procedure for determining the placement price established by the resolution that constitutes the grounds for placing additional shares and other securities convertible into shares provides for determining the placement price after the expiry of the effective period of the preemptive right such period shall not be less than 20 days from the date when the notice was sent (delivered) or published. In such case the notice shall contain information about the time period for payment for securities which shall not be less than five business days from the date of

placement price disclosure. The Company shall not have the right to place additional shares or other securities convertible into shares to persons that do not have the preemptive right for the acquisition thereof prior to the expiry of the aforementioned period.

8.1.7. A person that has the preemptive right to acquire additional shares or other securities convertible into shares shall have the right to exercise such preemptive right, wholly or in part, by submitting to the Company a written application for the acquisition of shares or other securities convertible into shares with an attached document on payment for the shares or other securities convertible into shares which are being acquired (except for cases when the placement price is defined after the expiry of the effective period of the preemptive right). Such application shall contain the name (trade name) and place of residence (location) of the person that had submitted it, and the number of shares being acquired thereby.

8.2. Procedure for payment for shares and other securities being placed.

8.2.1. Shares and other securities of the Company may be paid for with money, securities, other property, property rights, or other rights having a monetary valuation.

If a resolution constituting the grounds for placement of the additional shares or other securities convertible into shares stipulates payment for them in means other than money, persons exercising their preemptive right shall be entitled at their discretion to pay for them with money.

8.2.2. The form of payment for additional shares of the Company shall be specified in the resolution on their placement. Payment for other securities of the Company may only be effected with money.

The placement of additional shares and other securities of the Company which are placed through subscription shall be conditional on payment for them in full.

8.2.3. Where additional shares of the Company are paid for with means other than money, the monetary value of the property contributed in payment for the shares shall be appraised by the Board of Directors of the Company in accordance with the current legislation. Where shares of the Company are paid for with means other than money, the monetary value of the property contributed in payment for the shares shall be appraised by the independent appraisal unless otherwise is provided for by the federal law.

8.2.4. Additional shares of the Company shall be paid for at the price determined by the Board of Directors of the Company in accordance with current legislation, but not below their par value.

The placement price for the additionally issued shares to be placed with the persons exercising the preemptive right to acquire shares may be less than the placement price to other persons but no more than by 10 (ten) percent.

8.2.5. The Company may not impose restrictions on the acquisition by nonresidents of shares and other securities convertible into shares except where explicitly provided for by the legislation of the Russian Federation.

9. Dividends

9.1. Pursuant to a resolution of the General Meeting of Shareholders, dividends may be paid on the basis of the results of the first quarter, half, and/or nine months of the financial year and/or the results of the financial year. A resolution to pay/declare dividends on the basis of results of the first quarter, half, and/or nine months of the financial year may be adopted within three months after the end of the respective period. Annual dividends shall be announced by the annual General Meeting of Shareholders according to the results of the year.

9.2. The amount of dividends, calculated for one common share, shall be determined by the General Meeting of Shareholders at the recommendation of the Board of Directors. The amount of dividends may not exceed the amount recommended by the Board of Directors of the Company.

9.3. The Company shall be obligated to pay dividends that have been announced. As a rule, dividends shall be paid in money. A dividend may also be paid in the form of other property, shares (capitalization of profits), other types of securities, property, or the assignment of property rights or other rights having a monetary valuation. The amount of the dividend and the form of payment thereof on shares shall be established in the resolution to pay dividends on shares.

The General Meeting of Shareholders may adopt a resolution not to pay dividends on shares.

9.4. Dividends shall neither accrue nor be paid on shares that have not been issued into circulation or have been acquired by the Company.

9.5. Dividends shall accrue and be paid only on fully paid shares.

9.6. Interest shall not accrue on dividends that have not been paid out or received.

9.7. After a resolution to pay dividends has been adopted by the General Meeting of Shareholders, such dividends must be paid by the end of the year in which the resolution was adopted, unless a shorter period is established by the resolution to pay the dividends.

9.8. For each payment of dividends the Board of Directors shall prepare a list of persons entitled to receive the dividends.

The list of persons entitled to receive dividends shall be prepared as at the date of preparation of the list of persons entitled to participate in the General Meeting of Shareholders that adopted the resolution to pay the dividends. For the purpose of preparing the list of persons entitled to receive annual dividends, a nominee holder of shares of the Company shall submit information on the persons in whose interests he holds the shares of the Company.

9.9. In the cases established by current legislation, the Company shall not have the right to adopt a resolution to pay/announce dividends on shares.

9.10. The Company shall not have the right to pay declared dividends on shares in the cases established by current legislation.

10. Bonds and Other Securities of the Company

10.1. The Company shall have the right to place bonds and other securities provided for by the legal acts of the Russian Federation respecting securities.

10.2. The placement of bonds and other securities by the Company shall be done pursuant to a resolution of the Board of Directors.

The placement by the Company of bonds convertible into shares and other securities convertible into shares shall be effected by resolution of the General Meeting of Shareholders of the Company or by the resolution of the Board of Directors of the Company in cases stipulated by clause 8.1.2 hereof. The resolution of the Company's Board of Directors on the placement of bonds convertible into shares and other securities convertible into shares shall be adopted by the Company's Board of Directors unanimously by all Board of Directors members and votes of exiting members of the Board of Directors shall not be counted.

10.3. A bond shall certify the right of its owner to demand redemption of the bond (payment of the par value or payment of the par value and interest) at the established times.

A resolution to issue bonds must define the form, the maturity date and method of cancellation of the bonds.

10.4. Bonds may be placed by the Company only after the Charter Capital has been fully paid in.

10.5. The par value of all bonds issued by the Company may not exceed the size of the Company's Charter Capital or the amount of security provided to the Company by third parties for the purposes of the bond issue.

10.6. The Company may place bonds with a single maturity date or bonds redeemable in series on certain dates.

Bonds may be redeemed in monetary form or in other property in accordance with the resolution to issue the bonds.

The Company may provide for the possibility of early redemption of bonds at the option of the owners thereof. In such case, the redemption value and the earliest date on which the bonds may be presented for redemption shall be specified in the resolution to issue the bonds.

10.7. The Company may place bonds secured by certain property of the Company, bonds under security provided to the Company by third parties for the purpose of the issue, and debenture bonds.

10.8. Debenture bonds may not be placed before the third year of the Company's existence, and only after two annual balance sheets of the Company have been duly approved.

10.9. Bonds may be registered or bearer. When registered bonds are issued, the Company shall be required to keep a register of their holders. A lost registered bond shall be replaced by the Company for a reasonable fee. The rights of the owner of a lost bearer bond shall be restored by a court in the manner established by civil procedural legislation of the Russian Federation for the restoration of a right in respect of a lost bearer instrument.

11. Managerial bodies of the Company

The management bodies of the Company shall be:

- the General Meeting of Shareholders;
- the Board of Directors;
- the President (Individual Executive Body).

12. General Meeting of Shareholders

12.1. The General Meeting of Shareholders shall be the highest management body of the Company.

The following issues shall be within the competence of the General Meeting of Shareholders:

1. making of amendments to the Charter of the Company or approval of a restated version of the Charter;
2. reorganization of the Company;
3. liquidation of the Company, appointment of a liquidation commission, and approval of interim and final liquidation balance sheets;
4. determination of the size of the Board of Directors, election of its members, and early termination of their powers;
5. determination of the number, par value, category (class) of authorized shares and rights granted by such shares;
6. increase of the Company's Charter Capital by way of an increase in the par value of shares or the placement of additional shares;
7. decrease of the Company's Charter Capital by way of a decrease in the par value of shares, by way of the acquisition by the Company of some shares for the purposes of reducing their total number as well as by the cancellation of shares acquired or redeemed by the Company;
8. determination of the size of the Audit Commission (internal auditor) of the Company, election of its members, and early termination of their powers;
9. approval of the external auditor of the Company ("External Auditor");
10. payment/declaration of dividends on the basis of results of the first quarter, half, and/or nine months of the financial year;
11. approval of the Company's annual reports and annual financial statements, including income statements (profit and loss accounts), and distribution of profits (including the payment/declaration of dividends, except profits distributed as dividends on the basis of results of the first quarter, half, and nine months of the financial year) and losses of the Company on the basis of results of the financial year;
12. determination of the procedure for conducting the General Meeting of Shareholders;
13. election of members to the Counting Commission and early termination of their powers;
14. splitting and consolidation of shares;
15. adoption of resolutions on approval of transactions in whose performance there is an interest, in the cases provided for by Article 83 of the Federal Law "On Joint Stock Companies" and other legislation of the Russian Federation;
16. adoption of resolutions on approval of major transactions associated with the acquisition or alienation of property by the Company, in the cases provided for by Article 79 of the Federal Law "On Joint Stock Companies" and other legislation of the Russian Federation;
17. acquisition by the Company of placed shares in the cases provided for by the legislation of the Russian Federation;
18. adoption of a resolution on participation in holding companies, financial-industrial groups, and other associations of commercial organizations;
19. approval of internal documents regulating the activities of the Company's bodies.
20. other issues provided for by this Charter, the Federal Law "On Joint Stock Companies," and other current legislation of the Russian Federation.

Matters assigned to the competence of the General Meeting of Shareholders cannot be transferred to the executive body of the Company to be resolved.

Matters assigned to the competence of the General Meeting of Shareholders cannot be transferred to the Board of Directors of the Company to be resolved, with the exception of the issues envisaged by the current legislation.

12.2. General Meetings of Shareholders may be annual or extraordinary.



12.3. Annual General Meeting of Shareholders.

12.3.1. The Company shall be required to hold an annual General Meeting of Shareholders no earlier than two months before and no later than six months after the end of the preceding financial year of the Company. The specific date of the annual General Meeting of Shareholders shall be set by a resolution of the Board of Directors.

All meetings other than the annual meeting shall be extraordinary.

12.3.2. The annual General Meeting of Shareholders shall be called by the Board of Directors. A resolution to call such meeting must be adopted by a majority of votes of members of the Board of Directors attending the respective meeting.

When adopting a resolution to call an annual General Meeting of Shareholders, the Board of Directors shall establish the form in which the meeting is to be held and approve the provisions set forth in clause 12.9.3 of the Company's Charter.

12.3.3. The following issues shall be decided each year at the annual General Meeting of Shareholders:

1. election of members of the Board of Directors of the Company ;
2. approval of the Company's annual reports and annual financial statements, including income statements (profit and loss accounts), and distribution of profits (including the payment/declaration of dividends, except profits distributed as dividends on the basis of results of the first quarter, half, and nine months of the financial year) and losses of the Company on the basis of results of the financial year;
3. election of the members of the Audit Commission (internal auditor) of the Company;
4. approval of the External Auditor of the Company;

5. at the proposal of Shareholders, the Board of Directors, the Audit Commission, or the External Auditor, other issues may be included on the agenda of the annual General Meeting of Shareholders in the manner and within the times established by the Company's Charter.

12.4. Extraordinary General Meeting of Shareholders.

12.4.1. An extraordinary meeting of the General Assembly of Shareholders shall be held pursuant to a resolution of the Board of Directors on the basis of:

- its own initiative;
- a request by the Audit Commission (internal auditor) of the Company;
- a request by the External Auditor of the Company;
- a request by a Shareholder (Shareholders) owning at least 10 (ten) percent of the voting shares of the Company on the date the demand is made.

Such requests must be made in the manner and within the periods established by this Charter and include:

- the wording of the agenda items;

Such a request may also contain:

- the wording of the resolutions on each item on the agenda contained in the request;
- a proposal on the form in which the meeting of Shareholders should take place.

In the event that a request initiating the calling of an extraordinary General Meeting of Shareholders of the Company contains a proposal nominating candidates to the Company's bodies, the relevant provisions of the legislation of the Russian Federation, the Charter of the Company and of other internal documents of the Company shall apply to such request.

12.4.2. A resolution of the Board of Directors initiating the calling of an extraordinary meeting of Shareholders shall be adopted by a two-thirds majority of votes of members of the Board of Directors participating in the respective meeting. Such resolution must approve:

- the wording of issues on the agenda;
- the form of holding the meeting.

The minutes of a meeting of the Board of Directors that adopts such a resolution must specify the names of the members of the Board of Directors who, in the voting on the resolution, voted in favor, against, and abstained.

12.4.3. A request of the Audit Commission of the Company to call an extraordinary General Meeting shall be adopted by a simple majority of votes of the members of the Audit Commission attending the respective meeting and be sent to the Board of Directors. Said request shall be signed by the members of the Audit Commission who voted in favor of its adoption.

A request by the External Auditor initiating the calling of an extraordinary General Meeting shall be signed by him and be sent to the Board of Directors.



12.4.4. Shareholders owning in aggregate at least 10 percent of the voting shares of the Company who initiate the calling of an extraordinary General Meeting of Shareholders shall send to the Board of Directors a written request specifying, in addition to the information specified in clause 12.4.1, the following information:

- the names of the Shareholders and information about the voting shares owned by them.

Such request shall be signed by the Shareholder or an agent thereof. If the request is signed by an agent, a power of attorney shall be attached thereto.

If the request is signed by a representative of the legal entity who acts on its behalf under a power of attorney, the power of attorney shall be attached to the request.

12.4.5. A request to call an extraordinary General Meeting shall be submitted in writing by registered letter to the Company's address with notification of receipt or be submitted to the Company's office.

The date of submission of a request to call an extraordinary General Meeting shall be defined as the date of notification of receipt thereof or the date of its submission to the Company's office.

12.4.6. Within 5 days of the date of submission of a request, the Board of Directors shall adopt a resolution to call or a resolution to refuse to call an extraordinary General Meeting.

12.4.7. The Board of Directors may adopt a resolution refusing to call an extraordinary General Meeting of Shareholders, or a resolution not to include on the agenda certain issues proposed by the initiators of a meeting, exclusively in the cases provided for by the legislation of the Russian Federation.

12.4.8. An extraordinary General Meeting of Shareholders called at the request of the Audit Commission (internal auditor) of the Company, External Auditor or Shareholders (a Shareholder) owning at least 10 percent of the voting shares of the Company must be held within 40 days from the time when such request that the extraordinary General Meeting of Shareholders of the Company be held is made.

If the proposed agenda of the extraordinary General Meeting of Shareholders contains an item on election of the members of the Board of Directors of the Company, such General Meeting of Shareholders must be held within 70 days from the time when the request that the extraordinary General Meeting of Shareholders of the Company be held is made, provided a shorter period is not stipulated in the Charter of the Company.

12.4.9. When adopting a resolution to convene an extraordinary General Meeting of Shareholders, the Board of Directors shall, depending on the form in which the meeting is to be held, approve the provisions set forth in clause 12.9.3 hereof for the respective form of the meeting.

12.4.10. A resolution of the Board of Directors of the Company to call an extraordinary General Meeting of the Company's Shareholders or a substantiated resolution on refusal to call an extraordinary General Meeting or refusal to include certain issues on the agenda of a meeting shall be sent to the persons who requested to call an extraordinary General Meeting within 3 (three) days of the time the corresponding resolution is adopted.

12.4.11. A resolution of the Board of Directors to refuse to call an extraordinary General Meeting of Shareholders or to include a proposed issue on the agenda may be appealed to a court.

12.4.12. The Company shall begin all measures relating to the calling, preparation, and holding of an extraordinary General Meeting of Shareholders only after financing therefore has been arranged in the manner established by this Charter.

After the Board of Directors has adopted a resolution to call a General Meeting of Shareholders, the President of the Company shall be obligated to immediately arrange financing for the holding of the meeting.

12.5. A Shareholder's representative at the General Meeting of Shareholders shall act in accordance with powers granted to him under a power of attorney executed in writing.

A power of attorney to vote must contain information about the principal and the representative (name, place of residence or location, passport data), as well as information about the representative's powers. A power of attorney to vote must be executed in accordance with the requirements of Article 185, clauses 4 and 5 of the Civil Code of the Russian Federation or notarized.

12.6. Voting at the General Meeting shall be conducted according to the principle, "one share equals one vote," except in the election of members of the Board of Directors in accordance with clause 13.2 hereof. Resolutions of the General Meeting of Shareholders shall be adopted by a simple majority of votes of those attending the meeting.

Resolutions on issues 1—3, 5, 7, and 17 of clause 12.1 hereof and on other issues, in cases directly provided for by current legislation, shall be adopted by the General Meeting of Shareholders by a three-fourths majority of votes of the Shareholders who own voting shares and are participating in the respective meeting.

12.7. Expenses associated with the preparation and holding of the annual General Meeting of Shareholders or an extraordinary General Meeting of Shareholders initiated by members of the Board of Directors or the Audit Commission (internal auditor) or by the External Auditor shall be paid out of the funds of the Company in accordance with an budget approved by the Individual Executive Body of the Company and shall be included in the Company's annual budget.

12.8. If within the period established by the legislation of the Russian Federation and the Company's Charter the Board of Directors does not adopt a resolution to call an extraordinary General Meeting of Shareholders, or adopts a resolution to refuse to call such meeting, an extraordinary General Meeting of Shareholders may be called by the bodies and the persons who requested such meeting.

In such case, expenses for the preparation and holding of the General Meeting of Shareholders may be reimbursed out of the Company's funds pursuant to a resolution of the General Meeting of Shareholders.

12.9. Form of adopting resolutions by the General Meeting of the Company's Shareholders.

12.9.1. Resolutions of a General Meeting of Shareholders may be adopted by means of holding a meeting (joint presence of shareholders for discussion of agenda issues and adoption of decisions on issues requiring a vote) or by remote voting (without holding a meeting).

12.9.2. The persons included on the list of persons entitled to participate in the General Meeting of Shareholders and their authorized representatives may participate in the General Meeting of Shareholders. The following persons may participate in the General Meeting of Shareholders held in the form of joint presence: the Company's External Auditor, members of the Board of Directors and the Individual Executive Body of the Company, members of the Counting and Audit Commissions and candidates included on ballots for election to managerial and supervisory bodies of the Company.

Simultaneously with the notifying the Company's Shareholders of the General Meeting of Shareholders the Company shall send an invitation to participate in the General Meeting of the Company's Shareholders to members of the Board of Directors, members of the Audit Commission, and the Company's External Auditor, and to candidates for the Board of Directors and the Audit Commission whose names are included in ballots for voting at the General Meeting of the Company's Shareholders that is being called.

In case the issue of reelection of the Board of Directors is put on the agenda of the Extraordinary General Meeting of Shareholders the invitation to participate in the General Meeting of the Company's Shareholders shall be forwarded to candidates nominated for election to the Board of Directors no less than 20 days prior to the date of the Extraordinary General Meeting of Shareholders.

12.9.3. In preparing for a General Meeting to be held in the form of joint presence, the Board of Directors shall determine:

- the agenda of the General Meeting of Shareholders;
- the form and text of the voting ballots;
- the list of information (materials) to be submitted to Shareholders in preparation for the General Meeting and the procedure for submission of information;
- the date of compilation of the list of persons entitled to participate in the General Meeting;
- the date, place, and time of the meeting;
- the date, place, and start time of registration to participate in the meeting;
- the text of the notice of the General Meeting to be sent to the Shareholders;
- the manner of notifying Shareholders about the holding of a General Meeting of Shareholders.

If the agenda includes issues on which voting may, in accordance with the legislation of the Russian Federation, give rise to a Shareholder's right to demand that the Company redeem shares owned by him, the Board of Directors shall also determine:

- the price to be paid for redeemed shares, corresponding to the market value thereof, determined in accordance with current legislation;
- the procedure and periods for effecting the redemption.

In preparing for the holding of a General Meeting in the form of remote voting the Board of Directors shall determine:

- the agenda of the General Meeting of shareholders;
- the form and text of voting ballots;
- the list of information (materials) to be provided to the persons entitled to participate in the meeting of shareholders ;
- the date of compilation of the list of persons entitled to participate in the meeting;
- the manner of notifying Shareholders about the holding of a General Meeting of Shareholders;
- the date on which Shareholders are to be provided with voting ballots and other information (materials);
- the last date on which voting ballots will be accepted by the Company and the postal address to which the completed ballots shall be sent;
- the text of the notice of the General Meeting to be sent to the Shareholders.

If the agenda includes issues on which voting may, in accordance with the legislation of the Russian Federation, give rise to a Shareholder's right to demand that the Company redeem shares owned by him, the Board of Directors shall also determine:

- the price to be paid for redeemed shares, corresponding to the market value thereof, determined in accordance with current legislation;
- the procedure and periods for effecting the redemption.

12.9.4. A General Meeting of Shareholders whose agenda includes items on election of the Board of Directors or Audit Commission (internal auditor), approval of the Company's External Auditor, approval of the Company's annual reports and annual financial statements, including income statements (profit and loss accounts), and distribution of profits (including payment/declaration of dividends, except profits distributed as dividends on the basis of results of the first quarter, half, and nine months of the financial year) and losses of the Company on the basis of results of the financial year, cannot be carried out in the form of remote voting.

12.9.5. Voting at the General Meeting of Shareholders that is held in the form of joint presence and in the form of remote voting shall be conducted using voting ballots in conformity with the requirements of the legislation of the Russian Federation.

In the case of conducting a meeting in the form of joint presence, voting ballots shall be handed to each person included in the list of persons entitled to participate in the General Meeting of Shareholders (its representative) against the signature of such person registered to participate in the General Meeting of Shareholders. In case of conducting the General Meeting of Shareholders by means of remote voting or in other cases provided for by the law the voting ballot should be sent by registered mail, or courier, or shall be handed to each person included in the list of persons entitled to participate in the General Meeting of Shareholders, against the signature of such person, no later than 20 days before the date for holding the General Meeting of the Company's Shareholders. The Shareholders registered to participate in the General Meeting of Shareholders and the Shareholders whose ballots were received no later than two days prior to the date of the General Meeting of Shareholders are considered as the participants of the General Meeting of Shareholders conducted in the form of joint presence. In a case of a General Meeting of Shareholders held in the form of remote voting, the persons whose ballots were received by the Company within the period established for the acceptance of voting ballots shall be deemed to have participated in the meeting.

In a case of remote voting, the resolutions approved by the General Meeting of the Company's Shareholders and voting results shall be submitted, in a manner as stipulated for submission of the notice of a General Meeting of the Company's Shareholders, to the persons, included in the list of persons entitled to participate in the General Meeting of the Company's Shareholders, no later than 10 days after a record of voting results is prepared in the form of a report on voting results.

12.10. Proposals for the agenda of the annual General Meeting.

12.10.1. The agenda of the General Meeting of Shareholders shall be approved by the Board of Directors. The procedure for submission of proposals and approval of the agenda of an extraordinary General Meeting of Shareholders is set forth in clause 12.4 hereof.

12.10.2. Shareholders owning in aggregate at least 2 percent of the voting shares of the Company shall have the right to submit items to the agenda of the annual General Meeting. Such proposals shall be submitted to the Company no later than 105 days after the end of the financial year.

12.10.3. Proposals for the agenda must be in writing and sent by registered letter to the Company's address or submitted to the Company's office.

12.10.4. A proposal for the agenda of an annual General Meeting of Shareholders must contain:

- the wording of issues on the agenda of the meeting of shareholders;
- the names of the Shareholders and information about the shares owned by them (number, category (class)).

The proposal shall be signed by a Shareholder or his attorney in fact.

If the proposal is signed by an attorney in fact, a power of attorney shall be attached.

If the proposal is signed by a representative of the legal entity, who acts on its behalf under a power of attorney, the power of attorney shall be attached to the proposal.

12.10.5. No later than 5 business days after the deadline for submission of proposals established by the Company's Charter, the Board of Directors shall be obligated to examine the proposals submitted and adopt either a resolution to include them on the agenda of the annual General Meeting of Shareholders or a resolution to refuse to include them on said agenda.

12.10.6. A resolution to refuse to include an issue on the agenda of an annual General Meeting of Shareholders may be adopted by the Board of Directors in the following cases:

- the period established by this Charter for the submission of proposals has not been complied with;
- the proposal does not comply with the requirements of this Charter and current legislation;
- the Shareholders who submitted the proposal are not, on the date of submission of the proposal, owners of the required number of voting shares;
- an issue proposed for inclusion on the agenda does not fall within the competence of the General Meeting pursuant to current legislation and the Company's Charter;

12.10.7. A substantiated resolution to refuse to include the proposed issue on the agenda of the annual General Meeting shall be sent by registered mail to the Shareholders who submitted the issue within 3 days of the adoption of resolution or delivered to the Shareholder personally.

12.10.8. A resolution of the Board of Directors refusing to include an issue on the agenda of an annual General Meeting of Shareholders may be appealed to a court.

12.10.9. After Shareholders have been notified of a General Meeting in the manner stipulated by this Charter, the agenda for such meeting cannot be changed.

12.11. Procedure for nominating candidates to the Company's management and supervisory bodies.

12.11.1. Shareholders who in aggregate own at least 2 percent of the voting shares of the Company on the date of submission of a proposal may nominate for election at the annual General Meeting candidates to the Board of Directors, the Audit Commission and the Counting Commission of the Company. Such proposals shall be submitted to the Company no later than 105 calendar days after the end of the financial year. The number of candidates in one application may not exceed the number of members of the respective bodies set by Charter of the Company or by the General Meeting of Shareholders.

In the event that the proposed agenda of an extraordinary General Meeting of Shareholders contains an item on election of the members of the Board of Directors of the Company who must be elected by cumulative voting, the Shareholders (Shareholder) of the Company which own in aggregate at least 2 percent of voting shares of the Company shall have the right to nominate candidates for election to the Board of Directors of the Company, the number of which cannot exceed the number of seats on the Board of Directors of the Company. Such proposals shall be submitted to the Company no later than 30 days before the date when the extraordinary General Meeting of Shareholders is to be held.

12.11.2. An application to nominate candidates shall be submitted in writing by registered letter to the Company's address or be submitted to the Company's office.

12.11.3. The following information shall be included in an application (including in cases of self-nomination):

- the name of the candidate and, if the candidate is a Shareholder of the Company, the number of shares owned by him;
- name of the body of the Company for election to which the candidate is being nominated;
- other information on the candidate, stipulated by the Charter of the Company or internal document of the Company;
- the names (trade names) of the Shareholders nominating the candidate and the number, category (class) of shares owned by them.

The application shall be signed by the Shareholder or his attorney in fact (representative). If the application is signed by an attorney in fact (representative), a power of attorney shall be attached.

12.11.4. The Board of Directors shall be obligated to examine the applications submitted and decide whether to include the nominees on the list of candidates for voting in elections to the Board of Directors, the Audit Commission and the Counting Commission of the Company or to refuse inclusion no later than 5 days after the end of the period for submission of proposals established by this Charter.

12.11.5. In the cases provided for by current legislation, the Board of Directors may adopt a resolution to refuse to include nominees on the list of candidates for voting.

12.11.6. A substantiated resolution of the Board of Directors to refuse to include a nominee on the list of candidates for voting in elections to the Board of Directors, the Individual Executive Body of the Company, or the Audit Commission shall be sent by registered letter to the Shareholder (Shareholders) that submitted the proposal no later than 3 days after the adoption of such resolution or delivered personally to the Shareholder.

12.12. Notification on conduction of a General Meeting of Shareholders.

12.12.1. Persons included in the list of persons entitled to participate in the General Meeting of Shareholders of the Company shall be notified of a General Meeting to be held in the form of joint presence or remote form no less than 30 calendar days prior to the date of commencement of the General Meeting of Shareholders by sending the text of the notice of a General Meeting of Shareholders by registered letter to the address specified in the list of persons entitled to participate in the General Meeting of Shareholders or be delivered personally to such persons against a signature of receipt.

The text of the notice of a General Meeting of Shareholders may also be published in mass media determined pursuant to a resolution of the Board of Directors of the Company .

The date of notification of the Shareholders of a General Meeting shall be defined as the date of mailing, the date of publication, or the date of personal delivery of the text of the notice.

The text of the notice of a General Meeting of the Company's Shareholders may, pursuant to a resolution of the Board of Directors, additionally be sent in electronic form to those Shareholders who have provided the Company or the registrar with e-mail addresses for the delivery of such notices.

12.12.2. The text of a notice of the holding of a General Meeting in the form of joint presence shall specify:

- the full trade name and location of the Company;
- the information on initiators of the calling of the General Meeting, its type (annual or extraordinary), and the direct form of holding the meeting;
- the date, place, and time of the General Meeting of Shareholders;
- the date, place, and start time of registration to participate in the General Meeting of Shareholders;
- the date of compilation of the list of persons entitled to participate in the General Meeting of Shareholders;
- the agenda of the General Meeting of Shareholders ;
- the procedure for familiarizing with information (materials) to be provided to the Shareholders in preparation for the General Meeting, including: addresses where Shareholders may inspect and obtain copies of materials to be provided to persons entitled to participate in the meeting of shareholders of the Company in preparation for the General Meeting, and where to send corresponding written remarks and proposals on the said materials and other proposals concerning the items on the agenda.

In the event that the agenda includes issues on which voting may, in accordance with current legislation, give rise to a Shareholder's right to demand that the Company redeem shares, the notice must also contain information:

- on the possession by Shareholders of the right to demand that the Company redeem shares owned by them;
- on the price to be paid for redeemed shares, corresponding to the market value thereof, determined in accordance with current legislation;
- on the procedure and periods for effecting redemption.

12.12.3. When a General Meeting is to be held in the form of remote voting, the text of the notice must contain the following information:

- the full trade name and location of the Company;
- the form of the General Meeting of Shareholders;

- information about the initiators of the extraordinary meeting that is to be held in the remote form;
- issues put on the agenda of the General Meeting of Shareholders;
- the date on which Shareholders are to be provided with voting ballots and other information (materials);
- the last day on which voting ballots will be accepted by the Company;
- addresses where voting ballots will be accepted (mailing address and addresses of acceptance points);
- the date of compilation of the list of persons entitled to participate in the General Meeting of Shareholders;
- the procedure for notifying the persons entitled to participate in the General Meeting of Shareholders about resolutions adopted and the results of voting;
- the procedure for familiarizing with the information (materials) to be provided in preparation for the General Meeting of Shareholders.

If the agenda includes issues on which voting may, in accordance with the legislation of the Russian Federation, give rise to a Shareholder's right to demand that the Company redeem shares owned by him, the notice must also contain information:

- on the possession by Shareholders of the right to demand that the Company redeem shares owned by them;
- on the price to be paid for redeemed shares, corresponding to the market value thereof, determined in accordance with current legislation;
- on the procedure and periods for effecting redemption.

12.12.4. Pursuant to a resolution of the Board of Directors, the text of a notice of a General Meeting may also include other information supplementary to the required information.

12.12.5. The information (materials) that must be provided to the persons entitled to participate in the meeting of shareholders in preparation for an annual General Meeting shall include the following:

- the annual accounting reports of the Company;
- conclusions of the Audit Commission on the results of the annual audit of the Company's financial statements ;
- audit report;
- information about candidates for the Board of Directors, the Audit Commission (internal auditor) and the Counting Commission;
- information about the proposed External Auditor;
- drafts of proposed amendments to the Company's Charter and internal regulations and/or drafts of a restated version of the Charter and internal regulations of the Company;
- drafts of resolutions of the General Meeting of Shareholders of the Company;
- other information prescribed by the Company's Charter, legislation, or a resolution of the Board of Directors.

12.12.6. The materials to be provided to the persons entitled to participate in the General Meeting of Shareholders in preparation for a General Meeting shall not be sent to such persons unless the meeting is to be held in remote form. Persons entitled to participate in the General Meeting of Shareholders of the Company shall be entitled to inspect the materials at the addresses specified in the notice, and to obtain copies of all materials for the meeting at the specified addresses. A person entitled to participate in the General Meeting of Shareholders of the Company shall be entitled to request that said materials be sent to him through the mail, with the proviso that the cost of postal services shall be paid by said Shareholder.

When a General Meeting of Shareholders is to be held in the form of remote voting, the Company shall be required to send to the persons included in the list of persons entitled to participate in the General Meeting of Shareholders the materials and information to be provided in the course of preparing and holding the General Meeting of Shareholders, along with voting ballots, by registered letter to the address specified in the list of persons entitled to participate in the General Meeting of Shareholders of the Company , or to make delivery to such persons personally against a signature of receipt.

Pursuant to a resolution of the Board of Directors, information to be provided to the persons entitled to participate in a General Meeting of Shareholders that is not classified as confidential or a commercial secret may be published in whole or in part on the Company's Internet website.

12.12.7. In the event that a person registered in the Register of Shareholders of the Company is a nominee holder of shares, the notice of a General Meeting shall be sent to the nominee holder of shares. The nominee holder of shares shall be obligated to inform its clients in the manner and within the time established by legal acts or by the contract with the client.

12.13. Right to participate and methods of participation by Shareholders in a General Meeting.

12.13.1. The list of persons entitled to participate in a General Meeting shall be compiled on the basis of data in the Register of Shareholders of the Company as at a date to be established by the Board of Directors.

12.13.2. The date established for compilation of the list of persons entitled to participate in a General Meeting of Shareholders may not be earlier than the date of adoption of the resolution to hold the meeting or more than 50 calendar days before the date of the meeting, and if the proposed agenda of an extraordinary meeting of shareholders contains the issue dealing with the election of members to the Board of Directors by cumulative voting, more than 65 days before the date of the General Meeting of Shareholders.

In any event, the date of compilation of the list of persons entitled to participate in a General Meeting must precede the date established by the Company's Charter for notifying of such General Meeting the persons entitled to participate in the General Meeting of Shareholders.

12.13.3. For the purpose of compilation of the list of persons entitled to participate in a General Meeting, a nominee holder of shares shall submit data concerning the persons on whose behalf it owns shares, as at the date of compilation of the list.

12.13.4. The list of persons entitled to participate in a General Meeting of Shareholders shall contain the following information:

- the name of the person ;
- data required to identify such person;
- postal address of the person to which notice of the holding of the General Meeting of Shareholders, voting ballots and reports on the results of voting are to be sent;
- data on the number, category (class) of shares owned by the Shareholder, including those carrying voting rights at the respective meeting, whether on all issues within its competence or only on certain issues on the agenda.

12.13.5. The list of persons entitled to participate in a General Meeting shall include Shareholders who own fully paid registered common shares of the Company of any issue.

12.13.6. Changes to the list of persons entitled to participate in a General Meeting of Shareholders may be made only in the event of restoration of violated rights of persons not included on the list on the date of its compilation or correction of errors committed when compiling the list.

12.13.7. The list of persons entitled to participate in a General Meeting of Shareholders shall be made available by the Company for inspection upon the request of any persons included in that list and possessing in aggregate at least 1 percent of votes.

The request shall be signed by a Shareholder or his attorney in fact (representative). If the request is signed by an attorney in fact (representative), a power of attorney shall be attached.

The request shall be sent by registered letter to the Company's address or submitted to the Company's office.

12.13.8. At the request of any interested person the Company must within three days provide that person with an excerpt from the list of persons entitled to participate in the General Meeting of Shareholders, containing information about that person, or a statement indicating that the person is not included in the list of persons entitled to participate in the General Meeting of Shareholders.

12.13.9. In the event that a share is transferred after the date of compilation of the list of persons entitled to participate in the General Meeting of Shareholders and before the date of the General Meeting of Shareholders, a person included in the list shall be obligated to issue to the acquirer a power of attorney to vote or be obligated to vote at the General Meeting in accordance with the instructions of the acquirer of the share. This rule shall also apply to any subsequent transfer of the share.

12.13.10. The right to participate in a General Meeting of Shareholders may be exercised by a person entitled to participate in the General Meeting of Shareholders both in person and through his representative.

12.13.11. The delegation of rights (powers) to a person's entitled to participate in a meeting of shareholders representative shall be effected by the issuance of a written authorization—a power of attorney—executed in accordance with the requirements of legislation.

12.13.12. A Shareholder may at any time replace his representative or personally exercise the rights granted by a share upon terminating the respective power of attorney in the manner established by law, provided that such consequences of termination of a power of attorney as may be contemplated by law are complied with.

12.13.13. Where a share of the Company is in the common participatory ownership of several persons, voting powers at the General Meeting of Shareholders shall be exercised, at their discretion, either by one of the participants in common participatory ownership or by their common representative. The powers of each of the aforesaid persons must be duly formalized.

12.14. Working bodies of the General Meeting of Shareholders of the Company.

12.14.1. The working bodies of the General Meeting are:

- the Chairman;
- the Counting Commission.

12.14.2. The Chairman shall be elected at the meeting by a majority of votes of the Shareholders present at the meeting.

The Chairman shall perform the following functions:

- conduct the General Meeting of Shareholders;
- ensure compliance with rules of procedure for the General Meeting;
- sign the minutes of the General Meeting.

12.14.3. With respect to performance of the duties entrusted to it the Counting Commission shall be an independent, standing working body of General Meeting of Shareholders.

12.14.4. The Counting Commission shall perform the following functions:

- verify powers and register persons to participate in the General Meeting of Shareholders and keep a registration journal;
- keep records of powers of attorney and the rights granted thereby, reflecting these in a corresponding journal;
- give out and send voting ballots and other information (materials) for the General Meeting and keep a journal recording issued (sent) ballots;
- determine the quorum of the General Meeting of Shareholders;
- explain issues relating to the exercise by Shareholders (their representatives) of voting rights at the General Meeting;
- explain the procedure for voting on issues put to voting;
- ensure compliance with the established voting procedure and uphold the rights of Shareholders to participate in voting;
- count votes and tally voting results;
- prepare a record of voting results;
- maintain files of all documents of the General Meeting, including voting ballots;
- perform other functions.

12.14.5. The Counting Commission shall be elected by the annual General Meeting of Shareholders.

12.14.6. The Counting Commission shall consist of at least 3 persons.

Members of the Board of Directors, members of the Audit Commission (internal auditor), and the President of the Company as well as persons nominated as candidates for such positions may not serve on the Counting Commission.

12.14.7. The Counting Commission shall elect a chairman and a secretary from among its members. The chairman shall entrust the functions of the secretary of the General Meeting to one of the members of the commission.

12.14.8. If the number of Shareholders owning voting shares of the Company becomes more than 500, the Counting Commission's functions shall be performed by the Company's registrar. In such case, clauses 12.14.5—12.14.7 of this Charter shall not apply and the functions of the Secretary of the General Meeting of Shareholders shall be performed by a person empowered by the registrar.

12.15. Quorum at a General Meeting. Secondary calling of a General Meeting.

12.15.1. A General Meeting of Shareholders shall be empowered (have a quorum) if Shareholders (their representatives) holding in aggregate more than a half of the votes granted by the placed voting shares of the Company have participated in the meeting.

Those Shareholders who have registered to participate in the General Meeting of Shareholders and those Shareholders whose voting ballots have been received no later than two days before the

General Meeting of Shareholders is held shall be deemed to have participated in the General Meeting of Shareholders.

Those Shareholders whose voting ballots have been received prior to the final date for accepting voting ballots shall be deemed to have participated in the General Meeting of Shareholders held in the form of remote voting.

12.15.2. In the case of a meeting held in direct form, the presence of a quorum shall be determined once, at the end of the period for official registration of participants in the meeting. The principle, "If a quorum has been reached, it may not be impaired," shall apply.

12.15.3. In the absence of a quorum for holding a General Meeting, the Board of Directors shall announce the date of a new General Meeting. The resolution of the Board of Directors to hold a new General Meeting must approve the provisions set forth in clause 12.9.3 hereof. No changes may be made to the existing agenda when holding the new General Meeting.

If the General Meeting was called at the initiative of the Board of Directors, the Board of Directors shall have the right, in its resolution to call a new meeting, to change the form of holding the meeting held.

12.15.4. Shareholders shall be notified of the new General Meeting in the manner established by this Charter for the respective form of holding the meeting.

12.15.5. A new General Meeting in direct or remote form, called in the stead of a meeting that failed to take place, shall be empowered if, at the end of registration of participants in the meeting, or the registration of received voting ballots, in the case of a remote meeting, there shall have been registered Shareholders (their representatives) possessing in aggregate at least 30 percent of the votes granted by the voting shares of the Company.

12.15.6. Where a General Meeting is postponed, in connection with the lack of a quorum, by less than 40 days, the persons entitled to participate in the General Meeting of Shareholders shall be determined in accordance with the list of persons entitled to participate in the meeting that failed to take place.

12.16. Voting at the General Meeting

12.16.1. Voting at a General Meeting of Shareholders shall be carried out in accordance with the principle, "one voting share equals one vote," except in the election of members of the Board of Directors in accordance with clause 13.2 of this Charter.

12.16.2. Voting on all agenda issues at a General Meeting of Shareholders shall be conducted only with the use of voting ballots.

12.16.3. The forms and text of voting ballots shall be approved by the Board of Directors. A separate voting ballot must be approved by the Board of Directors for each issue on the agenda.

In the case of a General Meeting held in the form of joint presence, voting ballots shall be issued to persons entitled to participate in the meeting of Shareholders at the time of their registration and shall be forwarded to such persons in cases provided for by the law of the Russian Federation.

In the case of a General Meeting held in the form of remote voting, voting ballots shall be sent to Shareholders by the means and within the time established by this Charter for notifying Shareholders of the holding of a General Meeting in remote form.

12.16.4. A voting ballot shall contain:

- the full trade name of the Company and location of the Company;
- the form of holding the General Meeting of Shareholders;
- the date, place and time at which the General Meeting of Shareholders is to be held and, in the event that pursuant to this Charter or the requirements of the current legislation completed voting ballots may be sent to the Company, the postal address to which the completed voting ballots are to be sent, or, in the event that the General Meeting of Shareholders is to be held in the form of remote voting, the final date for accepting voting ballots and the postal address to which the completed voting ballots are to be sent;
- the wording of a resolution on each issue (the name of each candidate) put to vote with the voting ballot and the order in which it will be considered;
- the voting choices for each matter put to voting, expressed as "in favor," "against" or "abstain," except in the election of members of the Board of Directors, where the voting ballot shall include additional space for the distribution of votes among candidates for the Board of Directors;
- the instruction that the voting ballot must be signed by the Shareholder.

In the case of voting to elect candidates to management and supervisory bodies, and also, in the cases provided for by this Charter, to working bodies of the General Meeting of Shareholders,

the voting ballot shall contain information about the candidates, including their surnames, given names, and patronymics.

Each voting ballot may include only one agenda item.

12.16.5. A voting ballot shall be deemed invalid with respect to the agenda item specified thereon in the event that:

- there are corrections in details of ballots;
- there are discrepancies between the ballot submitted to the Counting Commission and the text and the form of the ballot approved by the Company's Board of Directors;
- more than one choice is left except for voting in accordance with instructions of persons who had acquired the shares after the date of making up a list of persons entitled to participate in the General Meeting of Shareholders, or in compliance with instructions of the owners of depositary securities.
- not a single choice is left in the ballot;
- all of the choices have been crossed out;
- the Shareholder's signature under the ballot is missing;
- the Company has received voting ballots signed by a representative acting on the basis of the power of attorney for voting in case the Company had received a notification of the replacement (recalling) of such representative no later than two (2) days prior to the date of the General Meeting of Shareholders;
- in the course of counting the votes there have been found out two or more filled out voting ballots of one person where for the same item of the agenda of the General Meeting of Shareholders the voter has left various voting choices. This regulation shall not cover the voting ballots signed by a person who had issued a power of attorney for voting in respect of shares that were transferred after the date of making up a list of persons entitled to participate in the General Meeting of Shareholders, and/or persons acting on the basis of such powers of attorney, where in the fields for the indication of the number of votes given for each voting choice the number of votes given for the respective voting choice is indicated and there are appropriate marks provided for by the normative acts of the Russian Federation;
- in the ballot for voting on the issue of election of members of the Company's Audit Commission or members of the Counting Commission the voting choice "In favor" is left for a greater number of candidates than the number of persons that shall be elected to the respective body of the Company. This regulation shall not cover the voting ballots that were signed by a person voting in respect of shares that were transferred after the date of making up a list of persons entitled to participate in the General Meeting of Shareholders, in accordance with instructions received from the persons who acquired such shares, and/or a person voting in respect of shares circulating outside the Russian Federation in the form of depositary securities, and that contain appropriate marks provided for by the normative acts of the Russian Federation;
- the ballot has the votes "in favor" left for alternative versions of resolutions;
- in the course of cumulative voting a Shareholder has distributed between the candidates to the Board of Directors a greater number of votes than the numbers of votes he has in his disposal.
- the ballots were submitted to the Counting commission after the time when the counting of votes was started.

The votes represented by such ballots shall be disregarded when tallying voting results.

12.16.6. In the case of voting on an issue at the General Meeting of Shareholders on which Shareholders owning common shares are entitled to vote, votes represented by all voting shares shall be counted together.

12.16.7. On the basis of the results of voting, the Counting Commission shall compile a record of voting results, which shall be signed by all members of the Counting Commission.

A resolution shall be deemed adopted (or not adopted) immediately upon the preparation of the record by the Counting Commission.

The record of voting results shall be attached to the minutes of the General Meeting of Shareholders.

After the compilation of the record of voting results and the signing of the minutes of the General Meeting of Shareholders, the voting ballots shall be sealed by the Counting Commission and transferred to the Company's files for storage.

12.16.8. In the case of a General Meeting held in the form of joint presence, voting results and the resolutions adopted by the General Meeting (records of the Counting Commission) shall be

announced at the General Meeting in the course of which the voting was conducted, or else be communicated to the persons included in the list of persons entitled to participate in the General Meeting of Shareholders after the closure of the meeting in the form of report in the manner established by this Charter for notifying Shareholders of the holding of a General Meeting of Shareholders in the respective form within 10 calendar days after the compilation of record of voting results.

12.17. Minutes of General Meetings.

12.17.1. In the case of a General Meeting conducted in the form of joint presence, the minutes of the General Meeting shall be prepared within 15 business days of the closure of the General Meeting. The minutes shall be prepared in two copies, each of which shall be signed by the chairman and the secretary of the General Meeting.

12.17.2. The following information shall be specified in the minutes of a General Meeting of Shareholders:

- the place and time of the meeting;
- the total number of votes held by Shareholders owning voting shares of the Company;
- the number of votes held by Shareholders who took part in the meeting;
- the chairman and the secretary of the General Meeting and the agenda of the General Meeting.

The minutes of a General Meeting of Shareholders shall include the main points of speeches, the issues put to voting and the results of voting thereon, and the resolutions adopted by the General Meeting.

12.18. Upon the receipt by the Company of a voluntary or mandatory offer to acquire shares (securities convertible into shares) in accordance with procedure stipulated by the Federal Law “On Joint Stock Companies” and this Charter the resolutions on the following questions shall be adopted only by the General Meeting of Shareholders:

12.18.1. The increase of the Charter Capital by placing additional shares within the limits of the quantity and categories (types) of declared shares;

12.18.2. Placement of securities convertible into shares, including options, by the Company;

12.18.3. Approval of a transaction/several interrelated transactions dealing with the acquisition, alienation or the possibility of alienation by the Company directly or indirectly of any property the price of which constitutes ten percent (10%) or more of the book value of the Company’s assets according to the Company’s accounting statements as of the latest reporting date, unless such transactions are made in the course of the Company’s every day business activities or unless such transactions had been completed before the information about the forwarding of a voluntary or mandatory offer to the Company was disclosed.

12.18.4. Approval of a transaction in whose completion there is an interest;

12.18.5. Acquisition by the Company of placed shares in cases stipulated by the Federal Law “On Joint Stock Companies”;

12.18.6. Increase in remuneration to persons holding offices in the management bodies of the Company, setting the terms and conditions for the termination of powers thereof including the assignment or increase of compensation paid to such persons in case of termination of their powers.

The restrictions contained in this clause cease to apply 20 days after the expiry of the time period established by the Federal Law “On Joint Stock Companies” for accepting a voluntary or mandatory offer. In the case that before such moment a person who, based on results of the acceptance of a voluntary or mandatory offer, had acquired more than thirty percent (30%) of the Company’s common shares, including shares owned by such person or its affiliated persons, requests the calling of the extraordinary General Meeting of the Company’s Shareholders whose agenda includes an issue of election of members of the Company’s Board of Directors, the restrictions contained in this clause shall apply until tallying voting results in respect of the issue of election of members of the Company’s Board of Directors at the General Meeting of the Company’s Shareholders where such issue was discussed.

13. Board of Directors

13.1. The Board of Directors of the Company shall carry out overall management of the Company’s activities, with the exception of the decision of issues assigned to the competence of the General Meeting of Shareholders.

The Board of Directors shall monitor the conformity of the Company's activities to current legislation of the Russian Federation, this Charter, and the resolutions of the General Meeting of Shareholders, including the Statute of the Company's Board of Directors.

13.2. The Board of Directors shall be elected by the General Meeting of Shareholders. The size of the Company's Board of Directors shall be determined by a resolution of the General Meeting of Shareholders at the time of election of the Board of Directors. The Board of Directors shall consist of at least seven (7) members.

Members of the Audit Commission may not be members of the Board of Directors.

The members of the Board of Directors shall be elected by cumulative voting. In cumulative voting, each voting share of the Company shall carry a number of votes equal to the total number of members of the Board of Directors. A Shareholder may cast all votes carried by the shares owned by him in favor of one candidate or distribute them among several candidates for the Board of Directors. The candidates who receive the greatest number of votes shall be deemed elected to the Board of Directors.

13.3. Members of the Board of Directors shall be elected for a term lasting until the next annual General Meeting of Shareholders of the Company and may be re-elected an unlimited number of times. If the annual General Meeting of Shareholders of the Company has not been held within the periods established by the Charter of the Company, the powers of the Board of Directors of the Company shall terminate, with the exception of the powers to prepare for, call and hold the annual General Meeting of Shareholders of the Company.

13.4. The powers of the Board of Directors shall include the power to decide issues of overall management of the Company's activities that are not assigned to the competence of the General Meeting of Shareholders in accordance with this Charter and a resolution of the General Meeting.

The following matters shall be within the competence of the Company's Board of Directors:

1. Determination of the priority areas of the Company's activities, determination of the Company's development strategy, and approval of the Company's annual budgets (financial plans);
2. Calling of annual and extraordinary General Meetings of Shareholders, except in the cases provided for by Article 55, section 8 of the Federal Law "On Joint Stock Companies";
3. Approval of the agenda of a General Meeting of Shareholders of the Company;
4. Setting the date for compilation of the list of persons entitled to participate in a General Meeting of Shareholders of the Company, and other matters assigned to the competence of the Board of Directors and associated with the preparation and holding of a General Meeting of Shareholders;
5. Referring the issues set forth in clause 12.1, subclauses 2, 6 and 15—20 hereof to the General Meeting of Shareholders for decision;
6. Determination of the price (monetary value) of property, and the price of placement and issue of securities in those instances envisaged in the current legislation;
7. Placement by the Company of bonds and other securities;
8. Acquisition of shares, bonds and other securities placed by the Company, in the cases provided for by the Federal Law "On Joint Stock Companies" and other legislation of the Russian Federation;
9. Recommendations on the amount of remuneration and compensation to be paid to the members of the Company's Audit Commission and determination of the amount to be paid for the services of the External Auditor;
10. Recommendations on the amount of the dividend on shares and the procedure for payment thereof;
11. Use of the Company's reserve fund and other funds;
12. Approval of the internal documents of the Company, with the exception of those internal documents, approval of which pursuant to the current legislation is assigned to the competence of the General Meeting of Shareholders of the Company, and other documents of the Company, approval of which pursuant to this Charter is assigned to the competence of the Individual Executive Body of the Company;
13. Adoption of resolutions on the creation and liquidation of branches, opening and closing of representative offices of the Company and approval of statutes of the Company's branches and representative offices;

14. Approval of major transactions in the cases provided for by Chapter X of the Federal Law “On Joint Stock Companies” and other legislation of the Russian Federation;
15. Approval of transactions in whose completion there is an interest, in the cases provided for by Chapter XI of the Federal Law “On Joint Stock Companies” and other legislation of the Russian Federation;
16. Approval of the registrar of the Company and of the terms and conditions of the agreement with it and on termination of the agreement with it;
17. Adoption of resolutions providing that the Company will pay costs associated with the conduct of unplanned audits and verifications by the Audit Commission initiated by Shareholders owning the number of voting shares of the Company specified by this Charter;
18. The increase of the Charter Capital of the Company out of the Company’s property by placement of additional shares through distributing them among shareholders within the limit of the number and category (class) of authorized shares only among shareholders in the number proportional to the number of shares owned by them, as well as the placement by open subscription of common shares and securities, convertible into common shares constituting no more than 25 percent of previously placed common shares of the Company;
19. Strategic management of the Company’s activities and supervision over the activities of the Individual Executive Body of the Company;
20. Supervision over the compliance of the Company with the current legislation, this Charter and the resolutions of the General Meeting of Shareholders of the Company;
21. Management of operations dealing with the fulfillment of resolutions of the General Meeting of the Company’s Shareholders;
22. Estimation of political, financial and other risks affecting the Company’s activities;
23. Determination of basic directions of investments and adoption of resolutions on the Company’s participation in other organizations;
24. Evaluation of results of the Company’s activities;
25. Assurance of the Company’s compliance with the current legislation;
26. Assurance of the Company’s compliance with the principles of corporate governance;
27. Timely consideration of reports of the Audit Commission and other commissions under the authority of the Board of Directors and issuance of recommendations to commissions if necessary;
28. Formation of the executive body (election of the Individual Executive Body — the President of the Company) and early termination of his powers;
29. Other issues provided for by current legislation and this Charter.

13.5. A resolution of the General Meeting of Shareholders to terminate early the powers of the Board of Directors may be adopted only with respect to all members of the Board of Directors.

In the event of early termination of the powers of the Board of Directors, the powers of the new Board of Directors shall be effective until the next annual General Meeting of Shareholders.

A member of the Board of Directors may at any time send a notice to the Company, addressed to the Chairman of the Board of Directors, voluntarily relinquishing his powers. A copy of the notice shall simultaneously be sent to the other members of the Board of Directors. In such case, the powers of members of the Board of Directors shall not terminate, except as provided by clause 13.6 of this Charter.

13.6. The Board of Directors shall retain its powers irrespective of any vacancies that may arise, with the proviso that, if the number of members of the Board of Directors, excluding exiting members, falls below the quorum established in clause 13.10 of this Charter, the Board of Directors shall be required to call an extraordinary General Meeting of Shareholders to elect a new Board of Directors. In such case, the remaining members of the Board of Directors shall be entitled only to adopt a resolution to call such extraordinary General Meeting of Shareholders.

13.7. The Board of Directors shall elect a Chairman of the Board and one deputy. Meetings of the Board of Directors shall be called by the Chairman of the Board or by any two members of the Board of Directors. The Chairman of the Board of Directors or his deputy shall preside at meetings of the Board of Directors.

The Board of Directors shall adopt resolutions and organize work in accordance with the Statute of the Board of Directors approved by General Meeting of Shareholders (including by remote voting or by poll).

All resolutions at meetings of the Board of Directors shall be adopted by a simple majority of votes of the members present at the meeting, except where otherwise explicitly provided for by this Charter or the current legislation.

13.8. The Board of Directors shall meet as necessary, but at least once every quarter.

13.9. During the period of performance of their duties the Directors pursuant to the resolution of the General Meeting of Shareholders shall be reimbursed for transportation and other expenses and shall be paid a remuneration, the amount of which shall be established by the General Meeting of Shareholders.

13.10. The presence of at least fifty percent (50%) of the total number of elected members of the Board of Directors is required to satisfy the quorum at the meeting of the Board of Directors.

13.11. A resolution of the Board of Directors may be adopted by remote voting (by poll) in the manner provided by the Statute of the Board of Directors.

When a meeting of the Board of Directors is held in direct form, written opinions of absent members of the Board of Directors shall be taken into account.

13.12. Requirements that must be met by persons elected to the Board of Directors may be established by the Bylaw on the Board of Directors.

13.13. Pursuant to a resolution of the Board of Directors, committees of the Board of Directors may be created within the Board of Directors.

14. President

14.1. The Company's Board of Directors shall elect the President of the Company by a majority of votes of elected members of the Board. The term of office of the President of the Company shall be determined by the Company's Board of Directors at the time of election of the President and may not exceed three (3) years. The rights and obligations, and the times and amounts of payment for the President's services shall be determined by a contract concluded with him by the Company, represented by the Chairman of the Board of Directors or by a person authorized by the Company's Board of Directors.

14.2. The President shall be accountable to the General Meeting of Shareholders and the Board of Directors.

The President of the Company may not simultaneously be the Chairman of the Board of Directors.

14.3. The competence of the President shall include all issues pertaining to management of the Company's current activities, with the exception of issues assigned to the competence of the General Meeting of Shareholders and the Board of Directors.

The President shall organize the performance of resolutions of the General Meeting of Shareholders and the Board of Directors.

14.4. The President shall act in the name of the Company without a power of attorney, and in such capacity, inter alia:

- carry out the day-to-day management of the Company's activities;
- have the right of first signature on financial documents;
- dispose of the Company's property so as to provide for its current activities, within the limits established by this Charter;
- represent the Company's interests both in the Russian Federation and elsewhere, including in foreign states;
- approve the staff, enter into labor agreements with the Company's employees, and provide incentives to such employees and impose penalties on them;
- independently conclude transactions in the Company's name, or, in the cases provided for by the Federal Law "On Joint Stock Companies" and this Charter, pursuant to a resolution of the General Meeting of Shareholders or a resolution of the Board of Directors;
- issue powers of attorney on behalf of the Company;
- arrange for the keeping of accounting records and reports by the Company;
- issue orders and give instructions binding upon all employees of the Company;
- perform other functions necessary to achieve the Company's objectives and ensure its normal operation, in accordance with current legislation and the Company's Charter, with the exception of functions assigned by the Federal Law "On Joint Stock Companies" and the Company's Charter to other management bodies of the Company.

14.5. The election of the President of the Company and early termination of his powers shall be accomplished on the basis of the resolution of the Company's Board of Directors.

14.6. Requirements that must be met by persons elected to the position of President may be established by the Bylaw on the President of the Company and/or a resolution of the Board of Directors.

14.7. The person performing the functions of the President shall be permitted to simultaneously occupy positions on the management bodies of other organizations only with the consent of the Board of Directors.

15. Reports of the Company

15.1. The financial year of the Company shall begin on January 1st and end on December 31st of the current year, inclusive.

15.2. The Company shall keep accounting records and accounting and other statistical reports in accordance with the requirements of current Russian legislation.

Internationally accepted accounting principles shall be implemented to the extent permitted by legislation.

All payment documents, balance sheets, financial reports, and account books shall be prepared in the Russian language. Where necessary for the purposes of an audit, the essential elements of each document may be translated into English. The Company's quarterly and annual financial statements shall be prepared in the Russian and English languages.

Within 40 days of the end of each quarter and within 100 days of the end of each financial year, the President shall provide each Shareholder with a quarterly and annual balance sheet and a report on the results of economic activities, which shall be prepared in the Russian and English languages. These reports, signed by the President and the Vice President for Finance, shall be immediately delivered to the Audit Commission, whose duties shall include verifying the correct preparation thereof and the accuracy of the data contained therein within 15 days of the receipt thereof.

15.3. For the purposes of implementing governmental, social, economic and tax policies, the Company shall be responsible for the preservation of documents (managerial, financial and economic, personnel-related, etc.), ensure the transfer of scientifically and historically significant documents to the central archives of Moscow for state storage, in accordance with a list of documents agreed with the Mosarkhiv association, and store and use personnel-related documents pertaining in the established manner.

15.4. In the course of its activities the Company shall conduct work to record and exempt from service its employees in the reserve and called up for military service, in accordance with the requirements of the legislation of the Russian Federation and decrees of the Government of the Russian Federation. The President of the Company shall be personally liable for the fulfillment of this work.

16. Audit Commission

16.1. The Audit Commission shall supervise the financial and economic activities of the Company. The procedure for the activities of the Audit Commission shall be approved by the General Meeting of Shareholders.

16.2. The Audit Commission shall be elected by the General Meeting of Shareholders. The General Meeting of Shareholders may elect individual new members of the Commission or elect a new Commission as a whole.

Members of the Board of Directors may not simultaneously be members of the Audit Commission.

16.3. The accuracy of the information contained in the annual report of the Company and annual balance sheets must be confirmed by the Audit Commission (internal auditor) of the Company and an auditor of the Company, which has no privity ties with the Company or Shareholders.

16.4. The Audit Commission may, with the approval of the General Meeting or the Board of Directors, engage auditing firms to participate in its work.

16.5. A verification of the Company's financial and economic activities shall be conducted at any time on the initiative of the Audit Commission, pursuant to a resolution of the General Meeting of Shareholders or the Board of Directors, or at the request of Shareholders owning in aggregate at least 10 percent of the voting shares of the Company.

16.6. An audit of the Company's activities shall be conducted at any time at the request of Shareholders having in aggregate no less than a 10 percent interest in the Company's Charter Capital.

17. Register of Shareholders

17.1. The Company shall, in the manner established by current legislation of the Russian Federation, commission a specialized registrar to keep and maintain the Register of Shareholders.

17.2. A person registered in the Register of Shareholders of the Company shall be required to promptly inform the holder of the Register of Shareholders of the Company about any changes in his information. Neither the Company nor the specialized registrar shall be liable for any damages caused in connection with a person's failure to report changes in his information.

17.3. A Shareholder's ownership of shares of the Company shall be confirmed by an entry in the Register of Shareholders or, in the event that rights to shares are recorded by a person carrying out depositary activity, by an entry on a depositary account. A transaction with shares shall be carried out, and ownership of a share shall pass to the new owner, at the moment a credit entry is made on the personal account of the acquirer, if rights to shares of the Company are recorded in the system of keeping the Register of Shareholders, or at the moment a credit entry is made on the depositary account of the acquirer, if rights to shares of the Company are kept by a person carrying out depositary activity.

18. Liquidation and reorganization

18.1. The Company may be terminated (liquidated)

- pursuant to a resolution of the General Meeting of Shareholders;
- by the decision of a court.

18.2. Liquidation of the Company on a voluntary basis shall be carried out by a liquidation commission appointed by the Company. Compulsory liquidation shall be carried out by a commission appointed by a court.

18.3. All powers to manage the affairs of the Company shall pass to the liquidation commission upon the appointment thereof. The liquidation commission shall appraise assets; identify creditors and settle with them and with Shareholders; and prepare a liquidation balance and submit it to the General Meeting of Shareholders.

18.4. The funds of the Company, including proceeds from the sale of property, shall be distributed in accordance with the requirements of legislation.

18.5. The liquidation of the Company shall be deemed complete, and the Company to have ceased to exist, from the time a corresponding entry is made in the state register.

18.6. Disputes between the Company and legal entities or individuals, including foreign, shall be examined in accordance with current legislation.

18.7. The Company may be reorganized by way of consolidation, split-up, spin-off, merger, or transformation.

A decision to reorganize the Company may be taken by the General Meeting of Shareholders, authorized government authorities, or a court in the cases provided for by current legislation.

18.8. In the event that the Company is reorganized necessary amendments shall be made to its Charter. In the event that the Company is liquidated, a corresponding entry shall be made in the register.

18.9. The reorganization of the Company shall entail the transfer of its rights and obligations to its successor.

18.10. The creation of a new company by the transfer to it of all rights and obligations of two or more companies and the termination thereof shall be deemed a consolidation of the companies.

18.11. Dissociation of the Company shall be regarded as the termination of the Company with the transfer of its rights and obligations to a newly established company.

The termination of one or more companies with the transfer of all their rights and obligations to another company shall be deemed a merger of the Company.

In the event that the Company is reorganized and its activity terminated, all documents (managerial, financial, personnel-related, etc.) shall be transferred in accordance with the established rules to the successor enterprise.

In the absence of a successor, scientifically and historically significant documents shall be transferred for state storage to the archives of the Mosgorarkhiv association. Personnel-related

documents (orders, personal files, account cards, etc.) shall be transferred for storage to the records office of the municipality in which the Company is located. Documents shall be collated and transferred by and at the expense of the Company in accordance with the requirements of the archival authorities.

19. Subsidiaries, branches, and representative offices

19.1. The Company may establish subsidiaries, representative offices, and branches in the territory of Russia and elsewhere in accordance with the requirements of current legislation of the Russian Federation and the legislation of the foreign states where subsidiaries, branches, and representative offices are located, unless otherwise provided by an international treaty.

Branches and representative offices shall carry out their activities in the name of the Company, which shall be liable for their activities.

19.2. Branches and representative offices shall not be legal entities, and shall be furnished with property by the Company and act in accordance with a statute governing them.

Branches and representative offices shall have independent balance sheets, which shall form part of the Company's balance sheet.

Resolutions to create and liquidate branches and open and close representatives offices, the statutes governing them, shall be adopted by the Board of Directors in accordance with the legislation of the country where the respective branch or representative office is founded. Directors of branches and representative offices shall act on the basis of powers of attorney issued by the Company.

19.3. Representative offices and branches shall be liable for the obligations of the Company and the Company shall be liable for their obligations.

19.4. The Company has the following branches:

19.4.1. Branch of Mobile TeleSystems Open Joint Stock Company in the North-West Macro-region.

Location of branch: 8, Italyanskaya St., Saint Petersburg, Russian Federation.

19.4.1.1. Branch of Mobile TeleSystems Open Joint Stock Company in Syktyvkar, the Republic of Komi.

Location of branch: Syktyvkar, Republic of Komi, Russian Federation

19.4.1.2. Branch of Mobile TeleSystems Open Joint Stock Company in Pskov.

Location of branch: Pskov, Pskov Region, Russian Federation.

19.4.1.3. Branch of Mobile TeleSystems Open Joint Stock Company in St. Petersburg.

Location of branch: St. Petersburg, Russian Federation.

19.4.1.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Arkhangelsk Region.

Location of branch: Arkhangelsk, Arkhangelsk Region, Russian Federation.

19.4.1.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Vologda Region.

Location of branch: Vologda, Vologda Region, Russian Federation.

19.4.1.6. Branch of Mobile TeleSystems Open Joint Stock Company in the Kaliningrad Region.

Location of branch: Kaliningrad, Kaliningrad Region, Russian Federation.

19.4.1.7. Branch of Mobile TeleSystems Open Joint Stock Company in the Murmansk Region.

Location of branch: Murmansk, Murmansk Region, Russian Federation.

19.4.1.8. Branch of Mobile TeleSystems Open Joint Stock Company in the Novgorod Region.

Location of branch: V. Novgorod, Novgorod Region, Russian Federation.

19.4.1.9. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Karelia.

Location of branch: Petrozavodsk, Republic of Karelia, Russian Federation.

19.4.1.10. Branch of Mobile TeleSystems Open Joint Stock Company in the Leningrad Region.

Location of branch: Vyborg, Leningrad Region, Russian Federation.

19.4.2. Branch of Mobile TeleSystems Open Joint Stock Company in the South Macro-region.

Location of branch: 61, Gimnazicheskaya St., Krasnodar, Krasnodar Territory, Russian Federation.

19.4.2.1. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Kalmykia.

Location of branch: Elista, Republic of Kalmykia, Russian Federation.

19.4.2.2. Branch of Mobile TeleSystems Open Joint Stock Company in the Stavropol Territory.
Location of branch: Stavropol, Stavropol Territory, Russian Federation.

19.4.2.3. Branch of Mobile TeleSystems Open Joint Stock Company in the Krasnodar Territory.
Location of branch: Krasnodar, Krasnodar Territory, Russian Federation.

19.4.2.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Rostov Region.
Location of branch: Rostov-on-Don, Rostov Region, Russian Federation.

19.4.2.5. Branch of Mobile TeleSystems Open Joint Stock Company in Novorossiisk.
Location of branch: Novorossiisk, Krasnodar Territory, Russian Federation

19.4.2.6. Branch of Mobile TeleSystems Open Joint Stock Company in Sochi.
Location of branch: Sochi, Krasnodar Territory, Russian Federation.

19.4.2.7. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Adygei.
Location of branch: Maikop, Republic of Adygei, Russian Federation.

19.4.2.8. Branch of Mobile TeleSystems Open Joint Stock Company in the Astrakhan Region.
Location of branch: Astrakhan, Astrakhan Region, Russian Federation.

19.4.2.9. Branch of Mobile TeleSystems Open Joint Stock Company in the Volgograd Region.
Location of branch: Volgograd, Volgograd Region, Russian Federation.

19.4.2.10. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Kabardino-Balkaria.
Location of branch: Nalchik, Republic of Kabardino-Balkaria, Russian Federation.

19.4.2.11. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Karachai-Cherkessia.
Location of branch: Cherkessk, Republic of Karachai-Cherkessia, Russian Federation.

19.4.2.12. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Ingushetia.
Location of branch: Magas, Republic of Ingushetia, Russian Federation.

19.4.2.13. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of North Ossetia-Alania.
Location of branch: Vladikavkaz, Republic of North Ossetia-Alania, Russian Federation

19.4.3. Branch of Mobile TeleSystems Open Joint Stock Company in the Volga SE Macro-region.
Location of branch: Samara, Samara Region, Russian Federation.

19.4.3.1. Branch of Mobile TeleSystems Open Joint Stock Company in Orenburg.
Location of branch: Orenburg, Orenburg Region, Russian Federation.

19.4.3.2. Branch of Mobile TeleSystems Open Joint Stock Company in Saratov.
Location of branch: Saratov, Saratov Region, Russian Federation.

19.4.3.3. Branch of Mobile TeleSystems Open Joint Stock Company in Samara.
Location of branch: 61-A, Chernorechenskaya St., Samara, Samara Region, Russian Federation.

19.4.3.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Ulyanovsk Region.
Location of branch: Ulyanovsk, Ulyanovsk Region, Russian Federation.

19.4.3.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Bashkortostan.
Location of branch: Ufa, Republic of Bashkortostan, Russian Federation.

19.4.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Volga NW Macro-region.
Location of branch: 61, Beketova St., Nizhny Novgorod, Nizhny Novgorod Region, Russian Federation.

19.4.4.1. Branch of Mobile TeleSystems Open Joint Stock Company in Nizhny Novgorod.
Location of branch: Nizhny Novgorod, Nizhny Novgorod Region, Russian Federation.

19.4.4.2. Branch of Mobile TeleSystems Open Joint Stock Company in Kirov.
Location of branch: Kirov, Kirov Region, Russian Federation.



- 19.4.4.3. Branch of Mobile TeleSystems Open Joint Stock Company in the Chuvash Republic — Chuvashia.
Location of branch: Cheboksary, Chuvash Republic — Chuvashia, Russian Federation.
- 19.4.4.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Mordovia.
Location of branch: Saransk, Republic of Mordovia, Russian Federation.
- 19.4.4.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Mari El.
Location of branch: Ioshkar-Ola, Republic of Mari El, Russian Federation.
- 19.4.4.6. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Udmurtia.
Location of branch: Izhevsk, Republic of Udmurtia, Russian Federation.
- 19.4.4.7. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Tatarstan.
Location of branch: Kazan, Republic of Tatarstan, Russian Federation.
- 19.4.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Ural Macro-region.
Location of branch: 5, Marshal Zhukov St., Ekaterinburg, Sverdlovsk Region, Russian Federation.
- 19.4.5.1. Branch of Mobile TeleSystems Open Joint Stock Company in Chelyabinsk.
Location of branch: Chelyabinsk, Chelyabinsk Region, Russian Federation.
- 19.4.5.2. Branch of Mobile TeleSystems Open Joint Stock Company in Kurgan.
Location of branch: Kurgan, Kurgan Region, Russian Federation.
- 19.4.5.3. Branch of Mobile TeleSystems Open Joint Stock Company in the Tyumen Region.
Location of branch: Tyumen, Tyumen Region, Russian Federation.
- 19.4.5.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Yamalo-Nenets Autonomous Area
Location of branch: Noyabrsk, Yamalo-Nenets Autonomous Area, Russian Federation.
- 19.4.5.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Sverdlovsk Region.
Location of branch: Ekaterinburg, Sverdlovsk Region, Russian Federation.
- 19.4.5.6. Branch of Mobile TeleSystems Open Joint Stock Company in the Khanty-Mansi Autonomous Area — Yugra.
Location of branch: Surgut, Khanty-Mansi Autonomous Area — Yugra, Russian Federation.
- 19.4.5.7. Branch of Mobile TeleSystems Open Joint Stock Company in the Perm Territory.
Location of branch: Perm, Perm Territory, Russian Federation.
- 19.4.6. Branch of Mobile TeleSystems Open Joint Stock Company in the Siberia Macro-region.
Location of branch: 35, Oktyabrskaya St., Novosibirsk, Novosibirsk Region, Russian Federation.
- 19.4.6.1. Branch of Mobile TeleSystems Open Joint Stock Company in the Kemerovo Region.
Location of branch: Kemerovo, Kemerovo Region, Russian Federation.
- 19.4.6.2. Branch of Mobile TeleSystems Open Joint Stock Company in the Altai Territory.
Location of branch: Barnaul, Altai Territory, Russian Federation.
- 19.4.6.3. Branch of Mobile TeleSystems Open Joint Stock Company in the Krasnoyarsk Territory.
Location of branch: Krasnoyarsk, Krasnoyarsk Territory, Russian Federation.
- 19.4.6.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Tomsk Region.
Location of branch: Tomsk, Tomsk Region, Russian Federation.
- 19.4.6.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Tuva.
Location of branch: Kyzyl, Republic of Tuva, Russian Federation.
- 19.4.6.6. Branch of Mobile TeleSystems Open Joint Stock Company in the Novosibirsk Region.
Location of branch: Novosibirsk, Novosibirsk Region, Russian Federation.
- 19.4.6.7. Branch of Mobile TeleSystems Open Joint Stock Company in the Omsk Region.
Location of branch: Omsk, Omsk Region, Russian Federation.
- 19.4.6.8. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Khakassia.

Location of branch: Abakan, Republic of Khakassia, Russian Federation.

19.4.6.9. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Altai.
Location of branch: Gorno-Altaysk, Republic of Altai, Russian Federation.

19.4.7. Branch of Mobile TeleSystems Open Joint Stock Company in the Far East Macro-region.
Location of branch: 53-A, Nekrasova St., Vladivostok, the Primorsky Territory, Russian Federation.

19.4.7.1. Branch of Mobile TeleSystems Open Joint Stock Company in Blagoveshchensk.
Location of branch: Blagoveshchensk, Amur Region, Russian Federation.

19.4.7.2. Branch of Mobile TeleSystems Open Joint Stock Company in the Sakhalin Region.
Location of branch: Yuzhno-Sakhalinsk, Sakhalin Region, Russian Federation.

19.4.7.3. Branch of Mobile TeleSystems Open Joint Stock Company in the Chukot Autonomous Area.
Location of branch: Anadyr, Chukot Autonomous Area.

19.4.7.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Khabarovsk Territory.
Location of branch: Khabarovsk, Khabarovsk Territory, Russian Federation.

19.4.7.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Sakha (Yakutia).
Location of branch: Yakutsk, Republic of Sakha (Yakutia), Russian Federation.

19.4.7.6. Branch of Mobile TeleSystems Open Joint Stock Company in the Chita Region.
Location of branch: Chita, Chita Region, Russian Federation.

19.4.7.7. Branch of Mobile TeleSystems Open Joint Stock Company in the Irkutsk Region.
Location of branch: Irkutsk, Irkutsk Region, Russian Federation.

19.4.7.8. Branch of Mobile TeleSystems Open Joint Stock Company in the Kamchatka Region.
Location of branch: Petropavlovsk-Kamchatski, Kamchatka Region, Russian Federation.

19.4.7.9. Branch of Mobile TeleSystems Open Joint Stock Company in the Magadan Region.
Location of branch: Magadan, Magadan Region, Russian Federation.

19.4.7.10. Branch of Mobile TeleSystems Open Joint Stock Company in the Republic of Buryatia.
Location of branch: Ulan-Ude, Republic of Buryatia, Russian Federation.

19.4.7.11. Branch of Mobile TeleSystems Open Joint Stock Company in the Primorsky Territory.
Location of branch: Vladivostok, the Primorsky Territory, Russian Federation.

19.4.8.

19.4.8.1. Branch of Mobile TeleSystems Open Joint Stock Company in Tula.
Location of branch: Tula, Tula Region, Russian Federation.

19.4.8.2. Branch of Mobile TeleSystems Open Joint Stock Company in Smolensk.
Location of branch: Smolensk, Smolensk Region, Russian Federation.

19.4.8.3. Branch of Mobile TeleSystems Open Joint Stock Company in Ryazan.
Location of branch: Ryazan, Ryazan Region, Russian Federation.

19.4.8.4. Branch of Mobile TeleSystems Open Joint Stock Company in Vladimir.
Location of branch: Vladimir, Vladimir Region, Russian Federation.

19.4.8.5. Branch of Mobile TeleSystems Open Joint Stock Company in Kaluga.
Location of branch: Kaluga, Kaluga Region, Russian Federation.

19.4.8.6. Branch of Mobile TeleSystems Open Joint Stock Company in Kostroma.
Location of branch: Kostroma, Kostroma Region, Russian Federation.

19.4.8.7. Branch of Mobile TeleSystems Open Joint Stock Company in Tver.
Location of branch: Tver, Tver Region, Russian Federation.

19.4.8.8. Branch of Mobile TeleSystems Open Joint Stock Company in Yaroslavl.
Location of branch: Yaroslavl, Yaroslavl Region, Russian Federation.

19.4.8.9. Branch of Mobile TeleSystems Open Joint Stock Company in Ivanovo.
Location of branch: Ivanovo, Ivanovo Region, Russian Federation.

19.4.8.10. Branch of Mobile TeleSystems Open Joint Stock Company in Tambov.

Location of branch: Tambov, Tambov Region, Russian Federation.

19.4.9. Branch of Mobile TeleSystems Open Joint Stock Company in the South-West Macro-region.

Location of branch: 27-A Ochyabrskaya St., Orel, Orel Region, Russian Federation.

19.4.9.1. Branch of Mobile TeleSystems Open Joint Stock Company in the Orel Region.

Location of branch: Orel, Orel Region, Russian Federation.

19.4.9.2. Branch of Mobile TeleSystems Open Joint Stock Company in the Belgorod Region.

Location of branch: Belgorod, Belgorod Region, Russian Federation.

19.4.9.3. Branch of Mobile TeleSystems Open Joint Stock Company in the Lipetsk Region.

Location of branch: Lipetsk, Lipetsk Region, Russian Federation.

19.4.9.4. Branch of Mobile TeleSystems Open Joint Stock Company in the Kursk Region.

Location of branch: Kursk, Kursk Region, Russian Federation.

19.4.9.5. Branch of Mobile TeleSystems Open Joint Stock Company in the Voronezh Region.

Location of branch: Voronezh, Voronezh Region, Russian Federation.

19.4.9.6. Branch of Mobile TeleSystems Open Joint Stock Company in the Bryansk Region.

Location of branch: Bryansk, Bryansk Region, Russian Federation.

19.5. The Company has the following representative offices:

19.5.1. Representative office of Mobile TeleSystems Open Joint Stock Company in the Republic of Belarus.

Location of representative office: Minsk, Republic of Belarus.

19.5.2. Representative office of Mobile TeleSystems Open Joint Stock Company in the Ukraine.

Location of representative office: Kiev, Ukraine.

20. Audit

20.1. The Company shall be obligated to enter into a contract with a specialized organization for the purpose of conducting audits and confirming annual financial statements of the Company (external audit).

21. Intellectual Property

21.1. The Company's rights in intellectual property, including patents, trademarks and copyrights, shall be protected in accordance with current legislation of the Russian Federation and international treaties.

22. Information about the Company

22.1. During business hours the Company shall give the Shareholders access to the documents listed in clause 23.1 hereof, with the exception of accounting documents, at the location where the documents are stored or at another place established in accordance with clause 23.2 hereof.

Shareholders (a Shareholder) of the Company owning in aggregate at least 25 percent of the voting shares of the Company shall have the right of access to the accounting documents.

At the request of a Shareholder, the Company shall be required to provide him, for a fee, with copies of the aforesaid documents and other documents of the Company provided for by legal acts of the Russian Federation. Copies of documents shall be delivered to a Shareholder (or his representative) personally or sent through the mail by registered letter. The amount of the fee shall be established by the executive bodies of the Company and may not exceed the cost of preparing copies the documents and costs associated with sending them through the mail.

22.2. The Company shall be obligated to disclose :

- the Company's annual report, annual accounting statements;
- a prospectus for issuance of shares of the Company, in the cases provided for by legal acts of the Russian Federation;
- a notice concerning the holding of a General Meeting of Shareholders in the manner established by the existing legislation;
- other information as determined by the federal body of executive authority for the securities market.

23. Documents of the Company

23.1. The Company shall be required to store the following documents:

- agreement on establishment of the Company;
- the Charter of the Company and amendments thereto, registered in the established manner; the decision respecting the creation of the Company; and the certificate of state registration of the Company;
- documents certifying the rights of the Company to the property on its balance sheet;
- internal documents of the Company;
- statutes of the Company's branches and representative offices;
- annual reports;
- prospectuses for the issuance of shares of the Company, quarterly reports of the issuer (the Company) and other documents containing information that is subject to publication or disclosure by other means in accordance with the current legislation;
- accounting documents;
- accounting statements and reporting documents;
- minutes of General Meetings of Shareholders and meetings of the Board of Directors and the Audit Commission (internal auditor);
- voting ballots and powers of attorney (copies of powers of attorney) for participation in the General Meeting of Shareholders;
- reports of independent valuers;
- lists of affiliated persons of the Company;
- conclusions of the Audit Commission (internal auditor), the External Auditor and government and municipal authorities responsible for financial oversight;
- lists of the persons entitled to participate in the General Meeting of Shareholders, entitled to receive dividends, and other lists prepared by the Company to facilitate the exercising by Shareholders of their rights in accordance with the requirements of legislation;
- other documents specified by the Federal Law "On Joint Stock Companies"; the Charter and internal documents of the Company; resolutions of the General Meeting of Shareholders, the Board of Directors, and management bodies of the Company; and the documents specified by legal acts of the Russian Federation.

23.2. The Company shall store the documents specified in clause 23.1 of this Charter at the location of its executive body in the manner and period prescribed by the current legislation.

DOC 3 Header

Approved by the Annual General
Meeting of Shareholders of
Mobile TeleSystems Open Joint Stock Company
dated June 23, 2006

**AMENDMENTS AND ADDITIONS
TO THE CHARTER
of Mobile TeleSystems Open Joint Stock Company**

Moscow

June 23, 2006

To add the following paragraph to Item 1.1. of the Charter:

“The Company is the full legal successor in respect of all rights and obligations of the Open Joint Stock Company ReCom (registered on February 26, 1998 by the Registration Chamber of the city of Orel under No.1244-C and entered into the consolidated state register of legal entities on August 7, 2002 by Tax Inspectorate of the Ministry of Taxes and Levies of the Russian Federation for the Sovetski District of the city of Orel under Main State Registration Number: 1025700824544), reorganized in the form of merger into Mobile TeleSystems Open Joint Stock Company.

The Company is the full legal successor in respect of all rights and obligations of the Closed Joint Stock Company Telesot-Alania (entered into the consolidated state register of legal entities on December 30, 2002 by Tax Inspectorate of the Ministry of Taxes and Levies of the Russian Federation for the North-West municipal district of the city of Vladikavkaz of the Republic of Northern Ossetia-Alania under Main State Registration Number: 1021500773546), reorganized in the form of merger into Mobile TeleSystems Open Joint Stock Company”.

DOC 4 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 36728

Licensee's details:

Closed Joint Stock Company

Sibintertelecom

Location:

672027 Chita, 47 Smolenskaya Str.

Services:

Services of mobile radiotelephone communications in the public communication network

The enclosed License includes License terms on 3 pages.

This License is valid from January 1, 2006 to January 1, 2011

Service commencement date (not later than) January 1, 2006

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 36728****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
 2. The Licensee shall commence rendering communication services hereunder not later than January 1, 2006.
 3. The Licensee shall render the services of mobile radiotelephone communications in the public communication network (in the GSM-900/1800 standard) in accordance with this License only in the territory of the Chita region.
 4. The Licensee under this License shall provide subscribers and/or users the following: *
 - a) access to the Licensee's communication network;
 - b) connections through the Licensee's mobile radiotelephone communication network for reception/transmission of voice and non-voice information providing communication continuity regardless the subscriber's location, including in the course of subscriber's relocation.
 - c) connections with subscribers and/or users of public fixed-line telephone network;
 - d) ability to use GSM-900/1800 mobile radiotelephone communication services outside the Licensed territory;
 - e) access to telecommunication services offered by other operators whose networks interact with the Licensee's network, except for the fixed-line operators, mobile radio and mobile radiotelephone communication operators;
 - f) access to the information services system;
 - g) ability to call emergency services free of charge and round-the-clock.
 5. The Licensee shall render communication services in accordance with the rules of rendering communication services adopted by the Government of the Russian Federation.
 6. In rendering the services, the Licensee shall comply with the regulations for interconnection and interfacing telecommunication networks adopted by the Government of the Russian Federation when connecting Licensee's mobile radiotelephone network to the public communication network, connecting Licensee's mobile radiotelephone network to other communication networks, accounting and traffic transmission over in Licensee's mobile radiotelephone network, accounting and traffic transmission from /to other operators networks.
 7. This License is issued upon consideration of the application submitted to extend the term of License No. 10702 dated April 28, 1998 without a public bid (tender, competition). No license requirements regarding the compliance of Licensee's commitments undertaken during the bid (tender, competition) for the respective license have been established.
 8. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.
 9. The Licensee's communication control system is required to meet the standards established by an authorized Federal executive body of respective competence for communication network control systems.
-

Federal Service for Supervision in the Area of Communications

10. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with the services of mobile radiotelephone communications in the general communication network and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued to extend the term of License No. 10702 dated April 28, 1998.

[Seal]

Deputy Head

Federal Service for Supervision in the Area of Communications /signature/

S.A. Malyanov

DOC 5 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 37370

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

Telematic communications services

The enclosed License includes License terms on 2 pages.

This License is valid from February 15, 2006 to February 15, 2011

Service commencement date
(not later than) February 15, 2006

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 37370****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
2. The Licensee shall commence rendering communication services hereunder not later than February 15, 2006.
3. The Licensee shall render the services hereunder only in the following territories:

Republics: Komi, Udmurt;
Krai: Perm;
Regions: Amur, Belgorod, Bryansk, Vladimir, Voronezh, Ivanovo, Kaluga, Kirov, Kostroma, Kurgan, Kursk, Lipetsk, Moscow, Nizhny Novgorod, Omsk, Orenburg, Orlov, Pskov, Ryazan, Sverdlovsk, Smolensk, Tambov, Tver, Tula, Tyumen, Chelyabinsk, Yaroslavl;
Autonomous Districts: Khanty-Mansiysk-Yugra; Yamalo-Nenetsk;
Cities: Moscow.

4. The Licensee under this License shall provide subscribers and/or users with the following*:

- a) transmission of facsimile messages;
- b) transmission of messages by electronic mail;
- c) access to information using info-communication technologies.

5. The Licensee shall render communication services in accordance with the rules of rendering communication services adopted by the Government of the Russian Federation.

6. In rendering the services, the Licensee shall comply with the regulations for interconnection and interfacing telecommunication networks adopted by the Government of the Russian Federation when connecting Licensee's data transmission network to the public communication network, connecting Licensee's data transmission network to other communication networks, accounting and traffic transmission over in Licensee's data transmission network, accounting and traffic transmission from /to other operators networks.

7. This License is issued upon consideration of the application submitted to extend the term of License No. 17333 dated February 15, 2001 without a public bid (tender, competition). No license requirements regarding the compliance of Licensee's commitments undertaken during the bid (tender, competition) for the respective license have been established.

8. The rendering of services hereunder does not require the use of the radio frequency spectrum.

9. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with telematic communication services and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued as an extension of the term of License No. 17333 dated February 15, 2001.

[Seal]
Deputy Head
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

DOC 6 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 33780

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

Communication channel provision services

The enclosed License includes License terms on 2 pages.

This License is valid from October 13, 2005 to October 13, 2010

Service commencement date
(not later than) October 13, 2005

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 33780****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
2. The Licensee shall commence rendering communication services hereunder not later than October 13, 2005.
3. The Licensee shall render the services hereunder on provision of communication channels inside a single region of the Russian Federation and outside of a single region of the Russian Federation only in the following territories:

Regions: Ivanovo, Kirov, Nizhny Novgorod, Yaroslavl.

4. The Licensee under this License shall provide subscribers and/or users the technical capacity to transmit information via channels and tracts in analog and digital transmission systems of cable, air, radio-relay and satellite communication lines.*

5. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.

6. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with communication channel provision services and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued as an extension of the term of License No. 16245 dated October 13, 2000.

[Seal]
Deputy Head
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

DOC 7 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 33910

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

Services of mobile radiotelephone communications in the public communication network

The enclosed License includes License terms on 3 pages.

This License is valid from April 28, 1998 to April 28, 2008

Service commencement date (not later than) October 28, 2000

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 33910****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
 2. The Licensee shall commence rendering communication services hereunder not later than October 28, 2000.
 3. The Licensee shall render the services of mobile radiotelephone communications in the public communication network (in the GSM-900/1800 standard) in accordance with this License only in the territories of the Karelia Republic, Nenetsk Autonomous District, Arkhangelsk, Vologda, Kaliningrad, Leningrad, Murmansk, Novgorod and Pskov regions and city of St. Petersburg.
 4. The Licensee under this License shall provide subscribers and/or users the following: *
 - a) access to the Licensee's communication network;
 - b) connections through the Licensee's mobile radiotelephone communication network for reception/transmission of voice and non-voice information providing communication continuity regardless the subscriber's location, including in the course of subscriber's relocation.
 - c) connections with subscribers and/or users of public fixed-line telephone network;
 - d) ability to use GSM-900/1800 mobile radiotelephone communication services outside the Licensed territory;
 - e) access to telecommunication services offered by other operators whose networks interact with the Licensee's network, except for the fixed-line operators, mobile radio and mobile radiotelephone communication operators;
 - f) access to the information services system;
 - g) ability to call emergency services free of charge and round-the-clock.
 5. The Licensee shall render communication services in accordance with the rules of rendering communication services adopted by the Government of the Russian Federation.
 6. In rendering the services, the Licensee shall comply with the regulations for interconnection and interfacing telecommunication networks adopted by the Government of the Russian Federation when connecting Licensee's mobile radiotelephone network to the public communication network, connecting Licensee's mobile radiotelephone network to other communication networks, accounting and traffic transmission over in Licensee's mobile radiotelephone network, accounting and traffic transmission from /to other operators networks.
 7. This License is issued upon consideration of the application submitted to extend the term of License No. 10004 dated April 28, 1998 without a public bid (tender, competition). No license requirements regarding the compliance of Licensee's commitments undertaken during the bid (tender, competition) for the respective license have been established.
-

Federal Service for Supervision in the Area of Communications

8. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.

9. The Licensee's communication control system is required to meet the standards established by an authorized Federal executive body of respective competence for communication network control systems.

10. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with the services of mobile radiotelephone communications in the general communication network and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued as an extension of the term of License No. 10004 dated October 28, 1998.

[Seal]

Deputy Head

Federal Service for Supervision in the Area of Communications /signature/

S.A. Malyanov

DOC 8 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 33919

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

Communication channel provision services

The enclosed License includes License terms on 2 pages.

This License is valid from July 15, 2005 to July 15, 2010

Service commencement date
(not later than) July 15, 2005

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 33919****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
2. The Licensee shall commence rendering communication services hereunder not later than July 15, 2005.
3. The Licensee shall render the services hereunder on provision of communication channels inside a single region of the Russian Federation and outside of a single region of the Russian Federation only in the territories of the Adygeya Republic and Krasnodar Krai.
4. The Licensee under this License shall provide subscribers and/or users the technical capacity to transmit information via channels and tracts in analog and digital transmission systems of cable, air, radio-relay and satellite communication lines.*
5. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.
6. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with communication channel provision services and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued as an extension of the term of License No. 32135 dated July 15, 2005.

[Seal]
Deputy Head
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

DOC 9 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 33920

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

**Communication services in data transmission network excluding
voice information transmission**

The enclosed License includes License terms on 2 pages.

This License is valid from July 15, 2005 to July 15, 2010

Service commencement date
(not later than) July 15, 2005

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 33920****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the term of this License.
 2. The Licensee shall commence rendering communication services hereunder not later than July 15, 2005.
 3. The Licensee shall render the services hereunder only in the territory of the Krasnodar Krai.
 4. The Licensee under this License shall provide subscribers and/or users with the services on exchange of information between subscriber end-user equipment connected to the Licensee's data transmission network, including the following:*)
 - a) access to the Licensee's communication network;
 - b) connections via the Licensee's data transmission network using end-user equipment except for voice information transmission;
 - c) access to telecommunication services offered by other operators whose networks interact with the Licensee's network
 5. The Licensee shall render communication services in accordance with the rules of rendering communication services adopted by the Government of the Russian Federation.
 6. In rendering the services, the Licensee shall comply with the regulations for interconnection and interfacing telecommunication networks adopted by the Government of the Russian Federation when connecting Licensee's data transmission network to the public communication network, connecting Licensee's data transmission network to other communication networks, accounting and traffic transmission over in Licensee's data transmission network, accounting and traffic transmission from /to other operators networks.
 7. This License is issued upon consideration of the application submitted to re-issue License No. 32796 dated July 15, 2005 without a public bid (tender, competition). No license requirements regarding the compliance of Licensee's commitments undertaken during the bid (tender, competition) for the respective license have been established.
 8. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.
 9. The Licensee's communication control system is required to meet the standards established by an authorized Federal executive body of respective competence for communication network control systems.
-

Federal Service for Supervision in the Area of Communications

10. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with communication channel provision services and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued to replace License No. 32796 dated July 15, 2005.

[Seal]

Deputy Head

Federal Service for Supervision in the Area of Communications /signature/

S.A. Malyanov

DOC 10 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 33922

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

Telematic communications services

The enclosed License includes License terms on 2 pages.

This License is valid from July 15, 2005 to July 15, 2010

Service commencement date
(not later than) July 15, 2005

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 33922****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
2. The Licensee shall commence rendering communication services hereunder not later than July 15, 2005.
3. The Licensee shall render the services hereunder only in the territory of Krasnodar Krai.
4. The Licensee under this License shall provide subscribers and/or users with the following*:
 - a) transmission of facsimile messages;
 - b) transmission of messages by electronic mail;
 - c) access to information using info-communication technologies.
5. The Licensee shall render communication services in accordance with the rules of rendering communication services adopted by the Government of the Russian Federation.
6. In rendering the services, the Licensee shall comply with the regulations for interconnection and interfacing telecommunication networks adopted by the Government of the Russian Federation when connecting Licensee's data transmission network to the public communication network, connecting Licensee's data transmission network to other communication networks, accounting and traffic transmission over in Licensee's data transmission network, accounting and traffic transmission from /to other operators networks.
7. This License is issued upon consideration of the application submitted to extend the term of License No. 32825 dated July 15, 2005 without a public bid (tender, competition). No license requirements regarding the compliance of Licensee's commitments undertaken during the bid (tender, competition) for the respective license have been established.
8. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.
9. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.
10. The Licensee is not an universal service operator. No license requirements relating to universal services under universal communication services agreements with authorized executive governmental bodies are established.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with telematic communication services and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued as an extension of the term of License No. 32825 dated July 15, 2005.

[Seal]
Deputy Head
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

DOC 11 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 33927

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

**Services of mobile radiotelephone communications in the
public communication network**

The enclosed License includes License terms on 3 pages.

This License is valid from April 28, 1998 to April 28, 2008

Service commencement date
(not later than) April 28, 1999

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 33927****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
 2. The Licensee shall commence rendering communication services hereunder not later than April 28, 1999.
 3. The Licensee shall render the services of mobile radiotelephone communications in the public communication network (in the GSM-900/1800 standard) in accordance with this License only in the territory of the Republic of Adygeya.
 4. The Licensee under this License shall provide subscribers and/or users the following: *
 - a) access to the Licensee's communication network;
 - b) connections through the Licensee's mobile radiotelephone communication network for reception/transmission of voice and non-voice information providing communication continuity regardless the subscriber's location, including in the course of subscriber's relocation.
 - c) connections with subscribers and/or users of public fixed-line telephone network;
 - d) ability to use GSM-900/1800 mobile radiotelephone communication services outside the Licensed territory;
 - e) access to telecommunication services offered by other operators whose networks interact with the Licensee's network, except for the fixed-line operators, mobile radio and mobile radiotelephone communication operators;
 - f) access to the information services system;
 - g) ability to call emergency services free of charge and round-the-clock.
 5. The Licensee shall render communication services in accordance with the rules of rendering communication services adopted by the Government of the Russian Federation.
 6. In rendering the services, the Licensee shall comply with the regulations for interconnection and interfacing telecommunication networks adopted by the Government of the Russian Federation when connecting Licensee's mobile radiotelephone network to the public communication network, connecting Licensee's mobile radiotelephone network to other communication networks, accounting and traffic transmission over in Licensee's mobile radiotelephone network, accounting and traffic transmission from /to other operators networks.
 7. This License is issued upon consideration of the application submitted to extend the term of License No. 9830 dated April 28, 1998 without a public bid (tender, competition). No license requirements regarding the compliance of Licensee's commitments undertaken during the bid (tender, competition) for the respective license have been established.
 8. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.
 9. The Licensee's communication control system is required to meet the standards established by an authorized Federal executive body of respective competence for communication network control systems.
-

Federal Service for Supervision in the Area of Communications

10. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with the services of mobile radiotelephone communications in the general communication network and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued to replace License No. 9830 dated April 28, 1998.

[Seal]

Deputy Head

Federal Service for Supervision in the Area of Communications /signature/

S.A. Malyanov

DOC 12 Header

FEDERAL SERVICE FOR SUPERVISION IN THE AREA OF COMMUNICATIONS

LICENSE

No. 33928

Licensee's details:

Open Joint Stock Company

Mobile TeleSystems

Location:

109147, Moscow, 4 Marksistskaya Str.

Services:

**Services of mobile radiotelephone communications in the
public communication network**

The enclosed License includes License terms on 3 pages.

This License is valid from May 30, 1997 to May 30, 2007

Service commencement date
(not later than) May 30, 1998

Seal: Federal Service for Supervision in the Area of Communications

Deputy Head of the
Federal Service for Supervision in the Area of Communications /signature/ S.A. Malyanov

**OPERATING TERMS
For License No. 33928****

1. Mobile TeleSystems OJSC (the "Licensee") shall comply with the expiry term of this License.
 2. The Licensee shall commence rendering communication services hereunder not later than May 30, 1998.
 3. The Licensee shall render the services of mobile radiotelephone communications in the public communication network (in the GSM-900/1800 standard) in accordance with this License only in the territory of the Krasnodar Krai.
 4. The Licensee under this License shall provide subscribers and/or users the following: *
 - a) access to the Licensee's communication network;
 - b) connections through the Licensee's mobile radiotelephone communication network for reception/transmission of voice and non-voice information providing communication continuity regardless the subscriber's location, including in the course of subscriber's relocation.
 - c) connections with subscribers and/or users of public fixed-line telephone network;
 - d) ability to use GSM-900/1800 mobile radiotelephone communication services outside the Licensed territory;
 - e) access to telecommunication services offered by other operators whose networks interact with the Licensee's network, except for the fixed-line operators, mobile radio and mobile radiotelephone communication operators;
 - f) access to the information services system;
 - g) ability to call emergency services free of charge and round-the-clock.
 5. The Licensee shall render communication services in accordance with the rules of rendering communication services adopted by the Government of the Russian Federation.
 6. In rendering the services, the Licensee shall comply with the regulations for interconnection and interfacing telecommunication networks adopted by the Government of the Russian Federation when connecting Licensee's mobile radiotelephone network to the public communication network, connecting Licensee's mobile radiotelephone network to other communication networks, accounting and traffic transmission over in Licensee's mobile radiotelephone network, accounting and traffic transmission from /to other operators networks.
 7. This License is issued upon consideration of the application submitted to extend the term of License No. 6731 dated May 30, 1997 without a public bid (tender, competition). No license requirements regarding the compliance of Licensee's commitments undertaken during the bid (tender, competition) for the respective license have been established.
 8. The Licensee shall render the services hereunder in compliance with the terms established for the allocation of radio frequency bands, assignment of radio frequencies and radio frequency channels.
 9. The Licensee's communication control system is required to meet the standards established by an authorized Federal executive body of respective competence for communication network control systems.
-

Federal Service for Supervision in the Area of Communications

10. The Licensee shall implement the requirements to communication networks and equipment necessary for operations and investigations established by the Federal executive body in the area of communications, as agreed with state bodies authorized to conduct operations and investigations, authorized Federal executive agency of respective competence for communication in coordination with state authorities in charge of surveillance operations, and shall ensure protection of the confidential organizational and tactical techniques used for such operations.

* The services rendered hereunder may be accompanied by the provision of other services closely technologically connected with the services of mobile radiotelephone communications in the general communication network and aimed to increase their consumer value unless such services are subject to additional licensing.

** This License is issued to replace License No. 6731 dated May 30, 1997.

[Seal]

Deputy Head

Federal Service for Supervision in the Area of Communications /signature/

S.A. Malyanov

DOC 13 Header

Türkmenistanyň Aragatnaşyk Ministrligi

LICENSE #164

The Ministry of Communication of Turkmenistan
According to the Law of Turkmenistan
“About Communication”
Permits activity in the field of communication to the

**“Barash Communication Tehnologies, Inc” USA
“Barash Communication Tehnologies, Inc” through branch
in Turkmenistan**

Legal branch address: Ashgabat, the Hero of Turkmenistan
A.Niyazova str., 104

Kind of activity: **“Rendering of cellular and paging services”**

The conditions of realization of the present kind of activity
which is an integral part of the present license are given in the
Appendix

Period of validity of license	from 01st of Baydak-month (February) 2005 till 01st of Baydak-month (February) 2006
Starting period the rendering of services:	not later on 01st of Baydak -month (February) 2005
Day of entry:	31st of Turkmenbashy-month (January) 2005

**Minister of Communication
of Turkmenistan**

R.A.Hodjakurbanov

**MINISTRY OF COMMUNICATION
OF TURKMENISTAN**

**The conditions of realization the activity in
accordance with the license #164**

1. Licensee is obliged:
 - 1.1. To operate by rendering of cellular and paging services appropriate on quality to the existing legislation in Turkmenistan and normative acts accepted by the Ministry of Communication of Turkmenistan, to the requirements of international standard, and also contract terms.
 - 1.2. To observe during use of radio facilities the Radio Regulations of the International Telecommunication Union and Law of Turkmenistan "About communication" and law "About radio -frequency spectrum".
 - 1.3. To stop rendering of services, which constitute a menace to safety of the state or contravene its laws, break the public peace.
 - 1.4. To give the statistical reporting on communication to the Ministry of Communication of Turkmenistan in accordance with the established by "Turkmenmillihasabat" the National institute of state statistics and forecasting of Turkmenistan by the order.
 - 1.5. To carry out the activity in accordance with the existing legislation of Turkmenistan and normative acts accepted by the Ministry of Communication of Turkmenistan.
 - 1.6. To observe the legislations of Turkmenistan, ecological, sanitary-and-epidemiological, hygienic, fire-prevention norms and regulations, regulation "About licensing activity in the field of communication".
 2. Licensee gives to the Ministry of Communication of Turkmenistan the information on an applicable fare for rendering services by licensee and also informs in case of their
-

changes within two weeks.

3. All questions of interaction with public networks are adjusted by the separate contracts concluded with the local telecommunication enterprises.
 4. The splicing networks of the licensee with a public networks is authorized only in the presence of the certificate of conformance for a splicing the equipment with a public network confirmed by Ministry of Communication of Turkmenistan, on basis of specifications which are given out by the local telecommunication enterprises, or in some cases, by Ministry of Communication of Turkmenistan.
 5. Licensee carries out a creation of communication networks under the projects, coordinated with the Ministry of Communication of Turkmenistan and provides its operation in accordance with the rules and other normative acts of the Ministry of Communication of Turkmenistan.
 6. The owners in accordance with established procedure in the Slate Inspection for Supervision of the Radio Frequency Spectrum Use at the Ministry of Communication of Turkmenistan should arrange all radio facilities of the licensee.
 7. The rendering of communication services with use of radio-electronic means is supposed only after the sanction of an Interdepartmental commission on radiofrequencies at the Cabinet Council of Turkmenistan for use of working frequencies.
 8. Licensee gives the information on a technical condition and conditions rendering of communication services on demand of the Ministry of Communication.
 9. Licensee should not interfere to Ministry of Communication to inspect licensee's activity on conformity of the carried out activity, and also checking engineering data of communications network and, if necessary is obliged to provide access to its measuring equipment.
 10. The license cannot be transferred to other person.
-

11. In case of transformation of the legal person having the license, changes of its name or its location, legal person or its assignee are obliged in a week term to hand an application in order to make alterations in the license with the appendix of the voucher.
12. The Ministry of Communication reserves the right to itself to make changes and addition to “The conditions of realization the activity” of the present license in connection with change of the existing legislation of Turkmenistan.
13. The licensed territory is Turkmenistan: Ashgabat and all velayats (regions).

Minister of Communication
of Turkmenistan

R.A. Hodjakurbanov

DOC 14 Header

EXECUTION COPY

Dated 21 April 2006

US\$1,330,000,000

FACILITY AGREEMENT

for

MOBILE TELESYSTEMS OPEN JOINT STOCK COMPANY

arranged by

**THE BANK OF TOKYO - MITSUBISHI UFJ, LTD.
BAYERISCHE LANDESBANK
HSBC BANK PLC
ING BANK N.V.
RAIFFEISEN ZENTRALBANK OESTERREICH AG
SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED**

as Mandated Lead Arrangers

and

ING BANK N.V., LONDON BRANCH

acting as Agent

Linklaters CIS

Paveletskaya sq. 2, bld. 2
Moscow 115054

Telephone (7-495) 797 9797
Facsimile (7-495) 797 9798

Ref Mark Kirsh/Elena Mikhailova

CONTENTS

<u>CLAUSE</u>	<u>PAGE</u>
SECTION 1 INTERPRETATION	1
1 DEFINITIONS AND INTERPRETATION	1
SECTION 2 THE FACILITY	12
2 THE FACILITIES	12
3 PURPOSE	12
4 CONDITIONS OF UTILISATION	13
SECTION 3 UTILISATION	14
5 UTILISATION	14
SECTION 4 REPAYMENT, PREPAYMENT AND CANCELLATION	15
6 REPAYMENT	15
7 PREPAYMENT AND CANCELLATION	15
SECTION 5 COSTS OF UTILISATION	19
8 INTEREST	19
9 INTEREST PERIODS	20
10 CHANGES TO THE CALCULATION OF INTEREST	20
11 FEES	21
SECTION 6 ADDITIONAL PAYMENT OBLIGATIONS	23
12 TAX GROSS-UP AND INDEMNITIES	23
13 INCREASED COSTS	25
14 OTHER INDEMNITIES	26
15 MITIGATION BY THE LENDERS	27
16 COSTS AND EXPENSES	28
SECTION 7 REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT	29

17	REPRESENTATIONS	29
18	INFORMATION UNDERTAKINGS	32
19	FINANCIAL COVENANTS	35
20	GENERAL UNDERTAKINGS	36
21	EVENTS OF DEFAULT	41
SECTION 8 CHANGES TO PARTIES		46
22	CHANGES TO THE LENDERS	46
23	CHANGES TO THE BORROWER	48
SECTION 9 THE FINANCE PARTIES		49
24	ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGERS	49
25	CONDUCT OF BUSINESS BY THE FINANCE PARTIES	53
26	SHARING AMONG THE FINANCE PARTIES	53
SECTION 10 ADMINISTRATION		55
27	PAYMENT MECHANICS	55
28	SET-OFF	57
29	NOTICES	57
30	CALCULATIONS AND CERTIFICATES	58
31	PARTIAL INVALIDITY	59
32	REMEDIES AND WAIVERS	59
33	AMENDMENTS AND WAIVERS	59
34	COUNTERPARTS	60
SECTION 11 GOVERNING LAW AND ENFORCEMENT		61
35	GOVERNING LAW	61
36	ARBITRATION	61
37	JURISDICTION	61

SCHEDULE 1 The Original Lenders	63
SCHEDULE 2 Conditions precedent	64
SCHEDULE 3 Utilisation Request	66
SCHEDULE 4 Selection Notice	67
SCHEDULE 5 Mandatory Cost formula	68
SCHEDULE 6 Form of Transfer Certificate	70
SCHEDULE 7 Form of Compliance Certificate	72

THIS AGREEMENT is dated 21 April 2006 and made between:

- (1) **MOBILE TELESYSTEMS OPEN JOINT STOCK COMPANY**, an open joint stock company established and existing under the laws of the Russian Federation and having its registered address at 4 Marksistskaya Street, 109147 Moscow, Russian Federation, as borrower (the “**Borrower**”);
- (2) **THE BANK OF TOKYO-MITSUBISHI UFJ LTD, BAYERISCHE LANDESBANK, HSBC BANK PLC, ING BANK N.V., RAIFFEISEN ZENTRALBANK OESTERREICH AG, SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED** as mandated lead arrangers (the “**Mandated Lead Arrangers**”);
- (3) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 as lenders (the “**Original Lenders**”); and
- (4) **ING BANK N.V., LONDON BRANCH** as agent of the other Finance Parties (the “**Agent**”).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Additional Cost Rate**” has the meaning given to it in Schedule 5 (*Mandatory Cost formula*).

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Agency Fee Letter**” means the Fee Letter to be entered into between the Borrower and the Agent on the same date as this Facility Agreement in accordance with Clause 11.4.

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

“**Availability Period**” means:

- (a) in relation to Facility 1, the period from and including the Signing Date to and including the date which is 30 days after the Signing Date; and
- (b) (subject to the provisions of the Syndication Side Letter) in relation to Facility 2, the period from and including the Signing Date to and including 31 December 2007.

“**Available Commitment**” means, in relation to a Facility, a Lender’s Commitment under that Facility minus:

- (a) the amount of its participation in any outstanding Loans under that Facility; and
- (b) in relation to any proposed Utilisation, the amount of its participation in any Loans that are due to be made under that Facility on or before the proposed Utilisation Date.

“**Available Facility**” means, in relation to a Facility, the aggregate for the time being of each Lender’s Available Commitment in relation to that Facility.

“**Bitel**” means Bitel LLC, a limited liability company incorporated in Kirghizia.

“**Bitel Litigation**” means any of the claims, proceedings (present or future) and causes of action involving the Borrower and/or any of its Affiliates (including Bitel) relating to or arising out of the acquisition, reorganisation or ownership of Bitel by the Borrower (whether directly or through any of its Affiliates).

“**Break Costs**” means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the London interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Amsterdam, London, Moscow and New York City.

“**Commitment**” means a Facility 1 Commitment or a Facility 2 Commitment.

“**Compliance Certificate**” means a certificate substantially in the form set out in Schedule 7 (*Form of Compliance Certificate*).

“**Confidentiality Undertaking**” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between the Borrower and the Agent.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 21 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Egypt Licence**” means the third licence (not issued as of the date of this Agreement) to install, provide and operate a public land mobile network in Egypt.

“**Environment**” means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers);
and
- (c) land (including land under water).

“**Environmental Law**” means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or
- (c) relate to any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the

Environment or a nuisance to any person or that may make the use or ownership of any affected land or property more costly or health and safety matters.

“**Environmental Licence**” means any Authorisation required at any time under Environmental Law.

“**Event of Default**” means any event or circumstance specified as such in Clause 21 (*Events of Default*).

“**Existing Facility**” means the loan facility made available pursuant to a syndicated Facility Agreement dated 26 July 2004, as amended by an Amendment and Transfer Agreement dated 30 September 2004, between the Borrower and, after amendment, *inter alios*, ABN AMRO Bank N.V., HSBC Bank plc, ING Bank N.V., Raiffeisen Zentralbank Oesterreich AG, Bank Austria Creditanstalt AG, Commerzbank Aktiengesellschaft and Barclays Capital.

“**Facilities**” means Facility 1 and Facility 2 and “**Facility**” means either of them.

“**Facility Office**” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Facility 1**” means the term loan facility made available under this Agreement as described in paragraph (a) of Clause 2.1 (*The Facilities*).

“**Facility 1 Commitment**” means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading “Facility 1 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility 1 Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Facility 1 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility 1 Final Maturity Date**” means the Facility 1 Repayment Date.

“**Facility 1 Loan**” means a loan made or to be made under Facility 1 or the principal amount outstanding for the time being of that loan.

“**Facility 1 Margin**” means 0.80 per cent. per annum.

“**Facility 1 Repayment Date**” means the date falling three years and one day after the date of the final Utilisation of Facility 1.

“**Facility 2**” means the term loan facility made available under this Agreement as described in paragraph (b) of Clause 2.1 (*The Facilities*).

“**Facility 2 Commitment**” means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading “Facility 2 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility 2 Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Facility 2 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility 2 Final Maturity Date**” means the date falling five years after the Signing Date.

“**Facility 2 Loan**” means a loan made or to be made under Facility 2 or the principal amount outstanding for the time being of that loan.

“**Facility 2 Margin**” means:

- (a) in respect of the period starting from the Signing Date until the date falling 36 Months after the Signing Date, 1.00 per cent. per annum; and
- (b) in respect of the period starting on and from the date falling one day after the date falling 36 Months after the Signing Date until all amounts under this Agreement have been paid or repaid, 1.15 per cent. per annum.

“**Facility 2 Repayment Date**” means the date falling 24 Months after the Signing Date, the date falling 27 Months after the Signing Date, the date falling 30 Months after the Signing Date, the date falling 33 Months after the Signing Date, the date falling 36 Months after the Signing Date, the date falling 39 Months after the Signing Date, the date falling 42 Months after the Signing Date, the date falling 45 Months after the Signing Date, the date falling 48 Months after the Signing Date, the date falling 51 Months after the Signing Date, the date falling 54 Months after the Signing Date, the date falling 57 Months after the Signing Date, the date falling 60 Months after the Signing Date.

“**Fee Letters**” means each of the letters dated 21 April 2006 between the Agent and the Borrower setting out the fees payable by reference to this Agreement.

“**Final Maturity Date**” means the Facility 1 Final Maturity Date or the Facility 2 Final Maturity Date.

“**Finance Document**” means this Agreement, any Fee Letter, the Mandate Letter, the Syndication Side Letter and any other document designated as such by the Agent and the Borrower.

“**Finance Party**” means the Agent, the Mandated Lead Arrangers or a Lender.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) shares which are expressed to be redeemable at the option of the holder on or prior to the Facility 2 Final Maturity Date (but excluding any accrued dividends);

- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

“**GAAP**” means generally accepted accounting principles, standards and practices in the United States of America.

“**Group**” means the Borrower and its Subsidiaries for the time being.

“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**HSBC Facility**” means the loan facility of \$100,000,000 made available pursuant to a bilateral facility agreement dated 23 January 2006 between HSBC Bank plc and the Borrower.

“**Information Memorandum**” means the document in the form approved by the Borrower concerning the Group which, at the Borrower’s request and on its behalf, was prepared in relation to this transaction and distributed by the Mandated Lead Arrangers to selected financial institutions before the Signing Date.

“**Interest Expense**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Lender**” means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 22 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**LIBOR**” means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for Dollars or the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of 11:00 a.m. on the Quotation Day for the offering of deposits in Dollars for a period comparable to the Interest Period for that Loan.

“**LMA**” means the Loan Market Association.

“**Loan**” means a Facility 1 Loan or Facility 2 Loan.

“**Majority Lenders**” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than 66²/₃% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66²/₃% of the Total Commitments immediately prior to the reduction); or

- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than 66²/₃% of all the Loans then outstanding.

“**Mandate Letter**” means the letter agreement dated 24 March 2006 and accepted and agreed to by the Borrower on 27 March 2006 between the Mandated Lead Arrangers and the Borrower.

“**Mandatory Cost**” means the percentage rate per annum calculated by the Agent in accordance with Schedule 5 (*Mandatory Cost formula*).

“**Material Adverse Effect**” means a material adverse effect on or material adverse change in:

- (a) the financial condition, operations, assets, prospects or business of the Borrower or the consolidated financial condition, operations, assets, prospects or business of the Group;
- (b) the ability of the Borrower to perform and comply with its obligations under any Finance Document; or
- (c) the validity, legality or enforceability of any Finance Document, or the rights or remedies of any Finance Party thereunder,

provided that for the purpose of paragraph (a) above any losses incurred by any member of the Group after the date of this Agreement as a consequence of an adverse determination of any or all of the Bitel Litigation, such losses not exceeding US\$330,000,000 or its equivalent in any other currency (including legal fees and associated expenses) in aggregate shall be disregarded.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

“**MTF Facility**” means the facility made available to Mobile Telesystems Finance S.A. pursuant to a Facility Agreement dated 16 November 2005 between Mobile Telesystems Finance S.A. and ING Bank N.V.

“**OIBDA**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Original Financial Statements**” means the audited consolidated financial statements of the Group for the financial year ended 31 December 2005.

“**Participating Member State**” means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

“**Party**” means a party to this Agreement.

“**Permitted Security**” means:

- (a) any Security on any assets of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower and not created in contemplation of such event, provided that no such Security shall extend to any other assets;

- (b) any Security existing on any assets prior to the acquisition thereof by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition, provided that no such Security shall extend to any other assets;
- (c) any Security on any assets securing Financial Indebtedness of the Borrower or Financial Indebtedness of any Subsidiary of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such assets, provided that (i) no such Security shall extend to any other assets; (ii) the aggregate principal amount of all Financial Indebtedness secured by such Security on such assets shall not exceed the lower of (x) the purchase price of such assets and (y) the fair market value of such assets at the time of acquisition, repair or refurbishing; and (iii) such Security attaches to such assets concurrently with the repair or refurbishing thereof or within 90 days after the acquisition thereof, as the case may be;
- (d) any Security arising by operation of law, including any Security (i) arising in the ordinary course of business with respect to amounts not yet delinquent or being contested by the Borrower or a Subsidiary of the Borrower in good faith in appropriate proceedings or (ii) for taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (e) any Security on the assets of any Subsidiary of the Borrower securing intercompany Financial Indebtedness of such Subsidiary owing to the Borrower or another Subsidiary of the Borrower;
- (f) any netting or set-off arrangement entered into by a member of the Group with a bank or any other financial institution in the normal course of its banking arrangements for the purpose of netting or setting off its debit and credit facilities with that bank or financial institution;
- (g) easements, rights-of-way, restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Borrower or the business of any Subsidiary of the Borrower, including any encumbrance or restriction with respect to an equity interest of any joint venture pursuant to a joint venture agreement;
- (h) any extension, renewal or replacement of any Security described in clauses (a) to (g) above, provided that (i) such extension, renewal or replacement shall be no more restrictive in any material respect than the original Security; (ii) the amount of Financial Indebtedness secured by such Security is not increased; and (iii) if the assets securing the Financial Indebtedness subject to such Security are changed in connection with such refinancing, extension or replacement, the fair market value of the property or assets is not increased; and
- (i) any other Security (excluding any Security described in (a)-(h) above) provided that, immediately after giving effect to such Security, the aggregate amount of all secured Financial Indebtedness of the Group does not exceed 10% of the Borrower's Total Assets.

“**Qualifying Lender**” has the meaning given to it in Clause 12 (*Tax gross-up and indemnities*).

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the London interbank market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the London interbank market (and if quotations for that currency and period

would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days).

“**RAS**” means generally accepted accounting principles, standards and practices in the Russian Federation.

“**Reference Banks**” means in relation to LIBOR and Mandatory Cost the principal London offices of the Mandated Lead Arrangers (other than Raiffeisen Zentralbank Oesterreich AG) or such other banks as may be designated by the Agent as agreed with the Borrower.

“**Relevant Period**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Repayment Date**” means a Facility 1 Repayment Date or a Facility 2 Repayment Date.

“**Repeating Representations**” means each of the representations set out in Clauses 17.1 (*Status*), 17.2 (*Binding obligations*), 17.3 (*Non-conflict with other obligations*), 17.4 (*Power and authority*), 17.6 (*Governing law and enforcement*), 17.11 (*No default*), 17.14 (*Pari Passu Ranking*), 17.15 (*No proceedings pending or threatened*), 17.16 (*Environmental laws and licences*) and 17.17 (*Telecommunications law and licences*).

“**Roubles**” or “**RUR**” means the lawful currency of the Russian Federation for the time being.

“**Russian Insolvency Law**” means the Federal Law of the Russian Federation No. 127-FZ of 26 October 2002 “On Insolvency (Bankruptcy)”.

“**Screen Rate**” means the British Bankers Association Interest Settlement Rate for Dollars for the relevant period displayed on the appropriate page of the Telerate screen. If the agreed page is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrower and the Lenders.

“**Security**” means a mortgage, charge, lien, pledge or other security interest securing any obligations of any person or any other agreement or arrangement having a similar effect.

“**Selection Notice**” means a notice substantially in the form set out in Schedule 4 (*Selection Notice*) given in accordance with Clause 9 (*Interest Periods*).

“**Significant Subsidiary**” means:

- (a) UMC (unless, pursuant to the UMC Litigation, any or all of the Borrower’s shares in UMC are transferred to a person that is not a member of the Group, with the result that UMC ceases to be a member of the Group);
- (b) any Subsidiary of the Borrower to which (i) the Borrower or UMC sells, leases or otherwise transfers its GSM 900 or 1800 licences or (ii) any such licence is re-issued; and
- (c) any Subsidiary of the Borrower (i) whose total assets (or, where such Subsidiary prepares consolidated accounts, whose total consolidated assets) have a book value (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) equal to or exceeding 10% of the Borrower’s Total Assets or (ii) whose gross annual revenues (or, where such Subsidiary prepares consolidated accounts, whose gross annual consolidated revenues) (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) are equal to or exceed 10% of the Borrower’s gross annual consolidated revenues in the year for which the Borrower’s most recent consolidated financial statements were prepared.

“**Signing Date**” means the date of this Agreement.

“**Subsidiary**” means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership.

“**Syndication Date**” means (unless otherwise agreed by the Borrower and the Mandated Lead Arrangers) the day specified by the Mandated Lead Arrangers as the day on which primary syndication of the Facilities is completed.

“**Syndication Side Letter**” means the letter agreement dated on or about the Signing Date between the Borrower and, *inter alios*, the Mandated Lead Arrangers in relation to the syndication of the Facilities.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Telecommunications Authorisation**” means any Authorisation from any governmental or other regulatory authority necessary in order for each of the Borrower and its Significant Subsidiaries to maintain, operate and conduct its business as it is being conducted in accordance with Telecommunications Laws.

“**Telecommunications Laws**” means (a) all laws and regulations which relate to telecommunications and/or the business of providing mobile telephone services and (b) all rules, guidelines, policies and regulations made thereunder, that are applicable to each of the Borrower and its Significant Subsidiaries and/or the business carried on by it.

“**Telecommunications Licence**” means any Authorisation required at any time under Telecommunications Laws.

“**Total Assets**” means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower’s most recent annual consolidated balance sheet delivered in accordance with paragraph (a) of Clause 18.1 (*Financial statements*) or, prior to the first delivery, to the Original Financial Statements.

“**Total Commitments**” means the aggregate of the Total Facility 1 Commitments and the Total Facility 2 Commitments, being \$1,330,000,000 at the Signing Date.

“**Total Debt**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Total Facility 1 Commitments**” means the aggregate of the Facility 1 Commitments, being \$630,000,000 at the Signing Date.

“**Total Facility 2 Commitments**” means the aggregate of the Facility 2 Commitments, being \$700,000,000 at the Signing Date.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 6 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Agent executes the Transfer Certificate.

“**UMC**” means Closed Joint Stock Company “Ukrainian Mobile Communications” in Ukraine.

“**UMC Litigation**” means any of the claims, proceedings (present or future) and causes of action involving the Borrower and/or any of its Affiliates (including UMC) relating to or arising out of the

sale of UMC to the Borrower or the acquisition, reorganization or ownership of UMC by the Borrower.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**US Dollars**”, “**Dollars**”, “**USD**” and “**\$**” denote the lawful currency of the United States of America.

“**Utilisation**” means a utilisation of a Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

“**VAT**” means value added tax and any other tax of a similar nature.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “**Agent**”, any “**Mandated Lead Arranger**”, any “**Finance Party**”, any “**Lender**”, the “**Borrower**” and any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise;
 - (iv) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
 - (v) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a “**person**” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vii) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (ix) a time of day is a reference to London time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.

1.3 Third Party Rights

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

SECTION 2 THE FACILITY

2 THE FACILITIES

2.1 The Facilities

Subject to the terms of this Agreement, the Lenders make available to the Borrower:

- (a) a term loan facility in Dollars to be designated “**Facility 1**” in an aggregate amount equal to the Total Facility 1 Commitments; and
- (b) a term loan facility in Dollars to be designated “**Facility 2**” in an aggregate amount equal to the Total Facility 2 Commitments.

2.2 Finance Parties’ rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3 PURPOSE

3.1 Purpose

- (a) The Borrower shall apply all amounts borrowed by it under the Facilities towards its general corporate purposes, including making acquisitions and repaying or prepaying the indebtedness as further described in paragraph (b) of this Clause.
- (b) The Borrower shall apply amounts borrowed by it under the Facilities to:
 - (i) prepay \$60,000,000 under the HSBC Facility;
 - (ii) repay all amounts outstanding under the Existing Facility; and
 - (iii) enable MOBILE TELESYSTEMS FINANCE S.A. to repay all amounts outstanding under the MTF Facility, by the dates set out in Schedule 2 (*Conditions precedent*).

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrower may not deliver the first Utilisation Request unless the Agent has received all of the documents and other evidence listed in paragraphs 1 to 4 of Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly (within one Business Day) upon being so satisfied.

4.2 Further conditions precedent

- (a) The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:
 - (i) no Default is continuing or would result from the proposed Loan; and
 - (ii) the Repeating Representations to be made by the Borrower are true in all material respects.
- (b) The Borrower may only deliver a Utilisation Request for Utilisation of Facility 2 in accordance with the terms of the Syndication Side Letter. The Agent shall notify the Borrower and the Lenders promptly (within one Business Day) that the conditions precedent required under paragraph 5 of Schedule 2 (*Other documents and evidence prior to the first Utilisation request for Utilisation of Facility 2*) have been satisfied in accordance with the Syndication Side Letter.

SECTION 3 UTILISATION

5 UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise a Facility by delivery to the Agent of a duly completed Utilisation Request not later than 10:00 a.m. on the day falling 3 Business Days before the proposed Utilisation Date (or, in relation to the first Utilisation Request, not later than 10:00 a.m. on the day falling 2 Business Days before the proposed Utilisation Date).

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
- (i) it identifies the Facility to be utilised;
 - (ii) the proposed Utilisation Date is a Business Day within the Availability Period applicable to that Facility;
 - (iii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
 - (iv) it specifies the account and bank to which the proceeds of the Utilisation are to be credited.
- (b) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be Dollars.
- (b) The amount of the proposed Loan must be:
- (i) a minimum of \$50,000,000 or, if less, the Available Facility; or
 - (ii) in any event such that it is less than or equal to the Available Facility.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.
- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan not later than 3:00 p.m. on the day falling 3 Business Days before the relevant Utilisation Date (or, in relation to the first Loan, not later than 11:00 a.m. on the day falling 2 Business Days before the first Utilisation Date).
- (d) The obligation of the Lenders to make the Facilities available to the Borrower under this Agreement is subject to the terms of the Syndication Side Letter.

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6 REPAYMENT

6.1 Repayment of Facility 1 Loans

- (a) The Borrower shall repay the Facility 1 Loans in full on the Facility 1 Repayment Date.
- (b) The Borrower may not reborrow any part of Facility 1 which is repaid.

6.2 Repayment of Facility 2 Loans

- (a) The Borrower shall repay the Facility 2 Loans in 13 equal instalments, by paying on each Facility 2 Repayment Date an amount equal to one thirteenth of the amount of the Facility 2 Loans outstanding at the close of business on the last day of the Availability Period for Facility 2.
- (b) The Borrower may not reborrow any part of Facility 2 which is repaid.

7 PREPAYMENT AND CANCELLATION

7.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and
- (c) the Borrower shall repay that Lender's participation in the Loans on the later of the last day of the Interest Period for each Loan occurring, and the date falling 20 days after the Agent has notified the Borrower (but in any event no longer than any grace period permitted by law) or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, cancel the whole or any part (being a minimum amount of \$25,000,000) of an Available Facility. Any cancellation under this Clause 7.3 shall reduce the Commitments of the Lenders rateably under that Facility.

7.3 Voluntary prepayment of Loans

- (a) The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the Loan by a minimum amount of \$25,000,000).
- (b) A Loan in respect of a Facility may only be prepaid after the last day of the Availability Period for that Facility (or, if earlier, the day on which the relevant Available Facility is zero).
- (c) Each prepayment shall be applied in satisfaction of the Borrower's obligations under Clause 6 (*Repayment*) in the inverse order of maturity of the Loans (or, at the option of the Borrower, *pro rata* to the remaining principal instalments thereof).

7.4 Mandatory Prepayment – Change of Control

- (a) In this Clause 7.4, “**Change of Control**” means any of the following events or circumstances: any person or group of persons acting in concert or under an express or implied agreement or understanding, directly or through one or more intermediaries, shall (x) acquire ultimate beneficial or legal ownership of, or control over, more than 50% of the issued shares of the Borrower; (y) acquire ownership of or control over more than 50% of the voting interests in the share capital of the Borrower; or (z) obtain the power (whether or not exercised) to elect not less than half of the directors of the Borrower; (provided, however, that any acquisition by Sistema JSFC or any of its Subsidiaries that results in the 50% threshold in paragraphs (x) and (y) above being exceeded, or in the power referred to in paragraph (z) above being obtained, will not be a Change of Control).
- (b) If there is a Change of Control:
- (i) the Borrower shall promptly notify each Lender (through the Agent) upon becoming aware of that event;
 - (ii) the Borrower may not make a Utilisation; and
 - (iii) if any Lender (in its sole discretion) so requires, it may, within 5 Business Days of its receipt of the Borrower’s notification under sub-clause (i) above, direct the Agent to send a notice to the Borrower requiring the Borrower to repay that Lender’s participations in the Loans (together with accrued interest) in full on the day (the “**Early Repayment Date**”) falling 30 days after the date of the Borrower’s notification under sub-clause (i) above. Before the Early Repayment Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender’s rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Early Repayment Date, then (x) the Borrower shall repay that Lender’s participations in the Loans (together with accrued interest) in full on the Early Repayment Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.5 Right of repayment and cancellation in relation to a single Lender

If:

- (a) any sum payable to any Lender by the Borrower is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*); or
- (b) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*),

the Borrower may, whilst the circumstance giving rise to the requirement or indemnification continues, give the Agent notice of cancellation of the Commitments of that Lender and its intention to procure the repayment of that Lender's participation in the Loans on the last day of the Interest Period ending after the date of such notice (or, if earlier, on such other date as specified by the Borrower in that notice) (the “**Cancellation Date**”). Before the Cancellation Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender’s rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Cancellation Date, then (x) the Borrower shall repay

that Lender's participations in the Loans (together with accrued interest) in full on the Cancellation Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.6 Replacement of a Lender

- (a) If at any time a Lender becomes a Non Consenting Lender then the Borrower may, on ten Business Days' prior written notice to the Agent and that Non Consenting Lender, replace that Non Consenting Lender by causing it to (and that Non Consenting Lender shall) transfer pursuant to this Clause 7.6 all of its rights and obligations under this agreement to a Lender or other person being a reputable bank or financial institution active in the international syndicated loan market selected by the Borrower and acceptable to the Agent (acting reasonably) for a purchase price equal to the outstanding principal amount of such Non Consenting Lender's participation in the outstanding Loans and all accrued interest and fees and other amounts payable under this Agreement.
- (b) The Borrower shall have no right to replace a Mandated Lead Arranger or the Agent and none of the foregoing nor any Lender shall have any obligation to the Borrower to find a replacement Lender. The Borrower shall not make any payment or assume any obligation (whether by way of fees, expenses or otherwise) to or on behalf of the replacement Lender as an inducement for the replacement Lender to become a Lender.
- (c) No Lender replaced under this Clause 7.6 may be required to pay or surrender to that replacement Lender or other entity any fees received by it.
- (d) For the purposes of this Clause 7.6 a "**Non Consenting Lender**" is a Lender who does not agree to a consent or amendment where:
 - (i) the Borrower or the Agent has requested the Lenders to consent to a departure from or waiver of any provision of the Finance Documents or to agree to any amendment thereto;
 - (ii) the consent or amendment in question requires the agreement of all Lenders;
 - (iii) a period of not less than 14 days has elapsed from the date the consent or amendment was requested;
 - (iv) Majority Lenders have agreed to such consent or amendment; and
 - (v) the Borrower has notified the Lender (through the Agent) it will treat it as a Non Consenting Lender.

7.7 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) The Borrower may not reborrow any part of a Facility which is prepaid.
- (d) The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

- (f) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

**SECTION 5
COSTS OF UTILISATION**

8 INTEREST

8.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin;
- (b) LIBOR; and
- (c) Mandatory Cost, if any.

8.2 Payment of interest

The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than 6 Months, on the date falling at six monthly intervals after the first day of the Interest Period).

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is the sum of 2 per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower on demand by the Agent.
- (b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be the sum of 2 per cent. and the rate which would have applied if the overdue amount had not become due.
- (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

9 INTEREST PERIODS

9.1 Duration of Interest Periods

- (a) Prior to the Syndication Date each Interest Period shall have a duration of one Month (or such other duration as is necessary to ensure that such Interest Period shall end on the Syndication Date).
- (b) The first Interest Period for the first Loan made under a Facility shall begin on the Utilisation Date for that Loan and end on the last day of the Interest Period applicable to that first Loan. At the end of the first Interest Period for each Loan under a Facility, such Loan shall be consolidated with all other Loans (if any) then outstanding under that Facility such that all Loans under that Facility shall then be treated as a single Loan.
- (c) Subject to Clause 9.1(a) and Clause 9.1(b), the Borrower may select an Interest Period for the Loan in the Utilisation Request or (if the Loan has already been borrowed) in a Selection Notice. The Borrower may select an Interest Period with a duration of one, two, three or six Months or any other period agreed between the Borrower and the Agent (acting on the instructions of all the Lenders).
- (d) Each Selection Notice for the Loan is irrevocable and must be delivered to the Agent by the Borrower not later than 11:00 a.m. one Business Day before the Quotation Day.
- (e) If the Borrower fails to deliver a Selection Notice to the Agent in accordance with paragraph (c) above, the relevant Interest Period will be six Months.
- (f) An Interest Period shall not extend beyond a Repayment Date or Final Maturity Date for the relevant Facility, and if an Interest Period would otherwise overrun a Repayment Date or Final Maturity Date for the relevant Facility, such Interest Period shall be shortened so that it ends on that Repayment Date or Final Maturity Date.
- (g) Each Interest Period shall start on the Utilisation Date or (if the Loan is already made) on the last day of its preceding Interest Period.

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 CHANGES TO THE CALCULATION OF INTEREST

10.1 Absence of quotations

Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by 11:00 a.m. on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the rate per annum which is the sum of:
 - (i) the Margin;

- (ii) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select; and
 - (iii) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.
- (b) In this Agreement “**Market Disruption Event**” means:
- (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for Dollars for the relevant Interest Period; or
 - (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 35 per cent. of that Loan) that the cost to it of obtaining matching deposits in the London interbank market would be in excess of LIBOR.

10.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

10.4 Break Costs

- (a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 FEES

11.1 Commitment fee

- (a) The Borrower shall pay to the Agent (for the account of each Lender) a commitment fee in respect of Facility 2, calculated on a daily basis, at the rate of 0.40 per cent. per annum of the undrawn, uncanceled Total Facility 2 Commitments.
- (b) The commitment fee will accrue from 1 June 2006, is payable in arrears on the last day of each successive period of three Months, on the last day of the Availability Period for Facility 2 and, if cancelled in full, on the cancelled amount of the relevant Lender's Facility 2 Commitment at the time the cancellation is effective.

11.2 Arrangement and documentation fee

The Borrower shall pay to the Agent an arrangement and documentation fee in the amount and at the times agreed in a Fee Letter.

11.3 Underwriting fee

The Borrower shall pay to the Agent for the account of the Mandated Lead Arrangers an underwriting fee in the amount and at the times agreed in a Fee Letter.

11.4 Agency fee

The Borrower shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in the Agency Fee Letter.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

12 TAX GROSS-UP AND INDEMNITIES

12.1 Definitions

(a) In this Agreement:

“**Protected Party**” means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“**Qualifying Lender**” means a Lender which is situated for tax purposes in the Russian Federation or in a Tax Treaty Jurisdiction.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by the Borrower to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

“**Tax Treaty Jurisdiction**” means a jurisdiction which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian Federation has succeeded) which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction.

(b) Unless a contrary indication appears, in this Clause 12 a reference to “**determines**” or “**determined**” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

(a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from the Borrower or a Lender, it shall respectively notify the Lender and the Borrower.

(c) Subject to paragraph (d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) The Borrower is not required to make an increased payment to a Lender under paragraph (c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to that Lender without a Tax Deduction if that Lender was a Qualifying Lender, but on that date that Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).

- (e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Agent for the Finance Party entitled to the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) The Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:
 - (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or
 - (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or
 - (B) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 12.2 (*Tax gross-up*) applied.
- (c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.
- (d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Agent.

12.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay promptly an amount to the Borrower which that Finance Party determines will leave the Finance Party (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Borrower.

12.5 Stamp taxes

The Borrower shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 Value added tax

- (a) All consideration expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any VAT. If VAT is chargeable on such consideration, that Party shall pay to the Finance Party (or directly to the appropriate tax authority, if so required by law) (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT.
- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither it nor any other member of the group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

12.7 Tax forms

- (a) At least 10 Business Days prior to the date of the first scheduled payment of interest under this Agreement, and within 20 Business Days from the beginning of each calendar year falling after the Signing Date, each Qualifying Lender shall provide to the Borrower a document issued by the relevant government authority in its jurisdiction of residence confirming that it is a resident of that jurisdiction. That document shall be apostilled by each Qualifying Lender if requested by the Borrower (pursuant to a requirement of the Russian tax authorities). The Borrower shall pay to each Qualifying Lender an amount equal to the costs that the Qualifying Lender has incurred in apostilling any such document.
- (b) At the request of the Borrower (acting reasonably), each Lender shall use its reasonable efforts to provide any other documentation or information to the Borrower that may be reasonably necessary for the Borrower to establish a complete exemption from Russian withholding tax in relation to payments of interest under this Agreement.

13 INCREASED COSTS

13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within three Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or its Holding Company as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the Signing Date.
- (b) In this Agreement “**Increased Costs**” means:

- (i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;
- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or its Holding Company to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

- (a) Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by the Borrower;
 - (ii) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied);
 - (iii) compensated for by the payment of the Mandatory Cost; or
 - (iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.
- (b) In this Clause 13.3, a reference to a "**Tax Deduction**" has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 OTHER INDEMNITIES

14.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:
 - (i) making or filing a claim or proof against the Borrower;
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall as an independent obligation, within three Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

The Borrower shall, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by the Borrower to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 26 (*Sharing among the Finance Parties*);
- (c) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

14.3 Indemnity to the Agent

The Borrower shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

15 MITIGATION BY THE LENDERS

15.1 Mitigation

- (a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

15.2 Limitation of liability

- (a) The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

16 COSTS AND EXPENSES

16.1 Transaction expenses

The Borrower shall promptly on demand pay the Agent and the Mandated Lead Arrangers the amount of all reasonable out-of-pocket costs and legal expenses (subject to the terms of the Mandate Letter) incurred by any of them in connection with the negotiation, preparation and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

16.2 Amendment costs

If (a) the Borrower requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 27.9 (*Change of currency*), the Borrower shall, within three Business Days of demand, reimburse the Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement costs

The Borrower shall, within three Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

17 REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

17.1 Status

- (a) It is an open joint stock company, duly established, registered and validly existing under the laws of the Russian Federation.
- (b) It and each of its Significant Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

17.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations, subject to insolvency and other laws affecting creditors' rights generally and principles of equity.

17.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets.

17.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents and the transactions contemplated by those Finance Documents.

17.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents;
- (b) for it and its Significant Subsidiaries to carry on its and their business; and
- (c) to make the Finance Documents admissible in evidence in the general jurisdiction courts or commercial courts (*arbitrazhniye sudi*) of the Russian Federation in an original action or action to enforce a foreign arbitral award, provided that authenticated and notarised Russian texts are made available to such courts at that time and any other procedures and formalities regarding presentation of documents to a Russian court are complied with,

have been obtained or effected and are in full force and effect (except, in relation to paragraph (b) above, where the failure to obtain such Authorisations (excluding any Telecommunications Authorisations) is not reasonably likely to have a Material Adverse Effect).

17.6 Governing law and enforcement

- (a) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in the Russian Federation.
- (b) Any arbitration award obtained in England in relation to a Finance Document will be recognised and enforced in the Russian Federation in accordance with the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards.

17.7 No bankruptcy proceedings

Neither the Borrower nor any of its Significant Subsidiaries has taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief (after due inquiry), threatened against it or any of its Significant Subsidiaries for (a) its liquidation or bankruptcy or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of it or any of its Significant Subsidiaries; (b) the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshniy upravlayushiy*) or the appointment of a bankruptcy manager (*konkursniy upravlayushiy*) or similar officer of it or any of its Significant Subsidiaries; (c) the convening of a meeting of creditors for the purposes of considering an amicable settlement (as defined in the Russian Insolvency Law); or (d) any analogous act in respect of it or any of its Significant Subsidiaries in any jurisdiction.

17.8 Deduction of Tax

It is not required under the law of the Russian Federation to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Qualifying Lender provided that it has received the documentation specified in paragraph (a) of Clause 12.7 (*Tax forms*).

17.9 No filing or stamp taxes

Under the law of the Russian Federation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in the Russian Federation or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except for court registration fees in connection with any enforcement proceedings in such court.

17.10 Payment of Taxes

Neither it nor any of its Significant Subsidiaries has overdue tax liabilities, other than tax liabilities (a) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves or other appropriate provision has been made or (b) whose amount, together with all such other unpaid or undischarged taxes, does not in aggregate exceed \$25,000,000 (or its equivalent in any other currency or currencies).

17.11 No default

- (a) No Default or Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.

- (b) No event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which is reasonably likely to have a Material Adverse Effect.

17.12 No misleading information

- (a) Any factual information provided by or on behalf of any member of the Group for the purposes of the Information Memorandum was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (b) The financial projections contained in the Information Memorandum have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Nothing has occurred or been omitted from the Information Memorandum and no information has been given or withheld that results in the information contained in the Information Memorandum being untrue or misleading in any material respect.

17.13 Financial statements

- (a) Its Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) Its Original Financial Statements fairly represent its, and its consolidated, financial condition and operations as at the end of and for the relevant financial year.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group) since the date of its unaudited consolidated financial statements for the financial year ended 31 December 2005.
- (d) There will be no material difference between the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2005 and the Original Financial Statements.

17.14 *Pari passu* ranking

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.15 No proceedings pending or threatened

Other than the UMC Litigation, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including but not limited to, investigative proceedings) have, to the best of its knowledge and belief (after due inquiry), been started or threatened against it or any of its Significant Subsidiaries which, if adversely determined would be reasonably likely to have a Material Adverse Effect.

17.16 Environmental laws and licences

Except as disclosed in writing to the Agent before the date hereof, it and each of its Significant Subsidiaries has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required in connection with its business; and
- (c) complied with the terms of those Environmental Licences,

in each case where failure to do so would be reasonably likely to have a Material Adverse Effect.

17.17 Telecommunications laws and licences

- (a) Each of the Borrower and its Significant Subsidiaries has:
- (i) complied in all material respects with all Telecommunications Laws to which it may be subject;
 - (ii) obtained all material Telecommunications Authorisations necessary to conduct its business; and
 - (iii) complied in all material respects with the terms of those Telecommunication Authorisations,
- in each case other than where failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (b) There has been no act, omission or event which might reasonably be expected to give rise to the material amendment, revocation, suspension, cancellation, withdrawal or termination of any provision of any Telecommunications Authorisation. To the best of its knowledge and belief (after due inquiry), no Telecommunications Authorisation is the subject of any pending or threatened proceedings which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

17.18 Compliance with laws

Each of the Borrower and its Significant Subsidiaries is conducting its business and operations in compliance with all laws and regulations and all directives of any government agency having legal force applicable or relevant to it, excluding any such non-compliance which would not reasonably be expected to have a Material Adverse Effect.

17.19 No immunity

- (a) The execution by the Borrower of the Finance Documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial activities done and performed for private and commercial purposes (rather than public and governmental purposes).
- (b) In any proceedings taken in the Russian Federation in relation to the Finance Documents, the Borrower will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

17.20 Repetition

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request and the first day of each Interest Period (provided that whenever the representation in paragraph (c) of Clause 17.3 is deemed to be made on a date other than the Signing Date or a Utilisation Date, the statement “except where the same would not be reasonably likely to have a Material Adverse Effect” shall qualify the representation in said paragraph (c)).

18 INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

18.1 Financial statements

The Borrower shall supply to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 180 days after the end of each of its financial years, its audited consolidated and non-consolidated financial statements for that financial year; and
- (b) as soon as the same become available, but in any event within (i) 60 days after the end of each of its first, second and third financial quarters and (ii) 90 days after the end of its fourth financial quarter, its unaudited consolidated and non-consolidated financial statements for that financial quarter.

18.2 Compliance Certificate

- (a) The Borrower shall supply to the Agent with each set of financial statements delivered pursuant to Clause 18.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 19 (*Financial Covenants*) as at the date as at which those financial statements were drawn up. Each Compliance Certificate shall be signed by an authorised officer of the Borrower.
- (b) Where a Compliance Certificate is required to be delivered with the financial statements delivered pursuant to paragraph (a) of Clause 18.1 (*Financial statements*), it shall be accompanied by a report from the Borrower's auditors using a form acceptable to those auditors.

18.3 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial statements*) shall be certified by an authorised officer of the Borrower as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
- (b) The Borrower shall procure that each set of consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 19 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that the Original Financial Statements.
- (c) Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.
- (d) The Borrower shall procure that each set of non-consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using RAS accounting practices and financial reference periods.

18.4 Information: miscellaneous

The Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) all documents dispatched by the Borrower to its shareholders (or any class of them) or its creditors generally promptly after they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which would, if adversely determined, be reasonably likely to have a Material Adverse Effect;
- (c) promptly, such information as may be reasonably requested by the Agent (including relevant figures from management accounts) to ascertain whether any Subsidiary of the Borrower falls within paragraph (e) of the definition of “Significant Subsidiary”; and
- (d) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Agent) may reasonably request.

18.5 Notification of Default

- (a) The Borrower shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

18.6 Know your customer checks

- (a) If:
 - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
 - (ii) any change in the status of the Borrower after the date of this Agreement; or
 - (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary “know your customer” or

other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

19 FINANCIAL COVENANTS

The financial undertakings in this Clause 19 shall remain in force from the Signing Date for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

19.1 Financial condition

The Borrower shall ensure that:

- (a) The ratio of Total Debt as at the end of any Relevant Period to OIBDA in respect of such Relevant Period will not exceed 3:1; and
- (b) the ratio of OIBDA to Interest Expense in respect of any Relevant Period will not be less than 5:1.

19.2 Financial covenant calculations

Total Debt, OIBDA and Interest Expense shall be calculated and interpreted on a consolidated basis in accordance with the GAAP applicable to the Original Financial Statements of the Borrower and shall be expressed in Dollars.

19.3 Definitions

In this Clause 19.3:

“**Total Debt**” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of members of the Group (other than any indebtedness referred to in paragraph (g) of the definition of Financial Indebtedness and any guarantee or indemnity in respect of that indebtedness).

For this purpose, any amount outstanding or repayable in a currency other than Dollars shall on that day be taken into account in its Dollars equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with the GAAP applicable to the Original Financial Statements of the Borrower.

“**OIBDA**” means, in relation to any Relevant Period, the total consolidated net income of the Group for that Relevant Period:

- (a) before taking into account the charge or credit to the profit and loss account in respect of:
 - (i) minority interests;
 - (ii) income tax;
 - (iii) non-operating income less non-operating expenses;
 - (iv) the Group’s share in the net income (or loss) of any associated companies or undertakings;
 - (v) Interest Expense;
 - (vi) interest income and
 - (vii) currency exchange and translation (gains)/losses

(b) after adding back all amounts provided for depreciation and amortisation for that Relevant Period,

multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“Interest Expense” means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Group in that Relevant Period in respect of Total Debt including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions, arrangement fees and guarantee fees; and
- (c) amounts in the nature of interest payable in respect of any shares other than equity share capital,

adjusted (but without double counting) by:

- (i) adding back the net amount payable (or deducting the net amount receivable) by members of the Group in respect of that Relevant Period under any interest or (so far as they relate to interest) currency hedging arrangements; and
- (ii) deducting interest income of the Group in respect of that Relevant Period to the extent freely payable in cash,

multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“Relevant Period” means each period of 6 consecutive Months ending on the last day of each financial year and financial quarter of the Borrower.

20 GENERAL UNDERTAKINGS

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

20.1 Authorisations

The Borrower shall promptly:

- (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (ii) supply certified copies to the Agent of,

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

20.2 Compliance with laws

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

20.3 Maintenance of existence

The Borrower shall maintain its corporate existence.

20.4 Negative pledge

(a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.

(b) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will):

- (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group;
- (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(c) Paragraphs (a) and (b) above do not apply to Permitted Security.

20.5 Disposals

(a) The Borrower shall not (and shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset.

(b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal:

- (i) made in the ordinary course of trading of the disposing entity;
- (ii) of assets in exchange for other assets comparable or superior as to type, value and quality;
- (iii) made from one member of the Group (other than the Borrower) to another member of the Group;
- (iv) of cash or cash equivalents for cash or cash equivalents;
- (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with GAAP) does not exceed (x) 10% of the Borrower's Total Assets in any financial year of the Borrower and (y) 25% of the Borrower's Total Assets during the period starting on the Signing Date and ending on the date that all amounts outstanding under this Agreement have been paid in full. At the request of the Agent (any such request to be made no more than once per calendar quarter, unless a Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with GAAP); or

- (vi) involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this sub-clause (vi) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

When calculating the Borrower's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available, the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Agent.

20.6 Merger

- (a) The Borrower shall not enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelenie obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than a consolidation or merger with one of its Subsidiaries where the Borrower is the surviving entity.
- (b) The Borrower shall ensure that no Significant Subsidiary will enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdeleyeniye obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction if such reorganisation or transaction would, in the opinion of the Agent (acting reasonably), have a Material Adverse Effect.

20.7 Change of business

The Borrower shall procure that no substantial change is made to the general nature of the business of the Borrower or the Group from that carried on at the Signing Date.

20.8 Conduct of business

The Borrower shall, and shall procure that each of its Significant Subsidiaries will, conduct its business in all material respects in accordance with:

- (a) all Telecommunications Laws to which it is or may become subject;
- (b) all requirements of the telecommunications regulators of the Russian Federation, Ukraine and any other jurisdiction where it conducts its business; and
- (c) the terms of all relevant Telecommunications Authorisations.

20.9 Asset maintenance

The Borrower shall, and shall procure that each of its Significant Subsidiaries will, have and maintain good and marketable title to or valid leases or licences of, or rights of use relating to, all assets necessary to maintain, develop and operate and otherwise conduct its business as then being conducted by it and in each case where failure to do so might reasonably be expected to have a Material Adverse Effect.

20.10 Insurance

The Borrower shall (and shall ensure that each other member of the Group will) maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks, and to the extent, usually insured against by prudent companies located in the same or a similar location and carrying on a similar business.

20.11 Transactions with Related Parties

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will), directly or indirectly, enter into or permit to exist any intercompany loan with, or for the benefit of, any Related Party, unless:
- (i) the terms of such intercompany loan are no less favourable to such member of the Group than those that could be obtained in a comparable arm's-length transaction or series of related transactions with a person that is not a Related Party; or
 - (ii) such intercompany loan is made pursuant to a contract or contracts existing on the Signing Date (excluding any amendments or modifications thereto after the Signing Date),

provided that the aggregate outstanding amount of all such intercompany loans described in sub-clauses (i) and (ii) above does not, at any time, exceed \$100,000,000.

- (b) Paragraph (a) above does not apply to:
- (i) compensation or employee benefit arrangements with any officer or director of any member of the Group arising out of any employment contract entered into in the ordinary course of business; or
 - (ii) transactions between members of the Group.
- (c) For the purposes of this Clause 20.11 only, a **"Related Party"** means, with respect to any specified person:
- (i) any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person; or
 - (ii) any other person who is a director or executive officer of (a) such specified person or (b) any person described in (i) above.

For purposes of the definition of **"Related Party"** only, **"control"** (including, with correlative meanings, the terms **"controlling," "controlled by"** and **"under common control with"**), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10 per cent. or more of any class, or any series of any class, of equity securities of a person, whether or not voting, shall be deemed to be control.

20.12 Restriction on acquisitions

The Borrower shall not establish or acquire any Subsidiary, acquire any Telecommunications Licence or invest in any other entity without the consent of the Majority Lenders (such consent not to be unreasonably withheld), provided that this Clause 20.12 shall not apply to any such acquisition or investment where such acquisition or investment relates to a Subsidiary or entity whose principal business is telecommunications or the provision of data services or related or ancillary businesses; and either:

- (a) the consideration paid by the Borrower in relation to such acquisition or investment, when aggregated with the consideration paid by the Borrower in relation to each other acquisition or investment in the same financial year permitted under this paragraph, does not exceed (i) 20 per cent. of the Borrower's Total Assets in the financial year of the Borrower ending 31 December 2006; and (ii) 20 per cent. (or such higher amount not exceeding 25 per cent. as the Majority Lenders may agree (acting reasonably)) of the Borrower's Total Assets in any other financial year of the Borrower; or
- (b) the acquisition is of the Egypt Licence or any person holding the Egypt Licence (but no other asset).

20.13 Prompt payment of Taxes

The Borrower shall (and shall ensure that each Significant Subsidiary will) duly pay all Taxes payable by it, other than (a) those taxes which are being contested in good faith and by appropriate proceedings and in respect of which adequate reserves or other appropriate provisions have been made; or (b) whose amount does not exceed \$25,000,000 (or its equivalent in any other currencies).

20.14 *Pari passu*

The Borrower shall, and shall procure that each member of the Group will, procure that its obligations under the Finance Documents rank at least *pari passu* with all its other unsecured, unsubordinated obligations save where such other obligations are mandatorily preferred by law.

20.15 Loans and guarantees

- (a) The Borrower shall not (and the Borrower shall ensure that no member of the Group will):
 - (i) make any loan, or provide any form of credit or financial accommodation, to any person (including, without limitation, its employees, shareholders, another member of the Group and any Affiliate); or
 - (ii) give or issue any guarantee, indemnity, bond or letter of credit to or for the benefit of, or in respect of liabilities or obligations of, any other person or voluntarily assume any liability (whether actual or contingent) of any other person (including, in each case and without limitation, its employees, shareholders, another member of the Group and any Affiliate).
- (b) The restrictions in paragraph (a) above do not apply to (i) loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit expressly permitted by the Finance Documents or for normal trade credit on arm's length terms and in the ordinary course of business or granted by a member of the Group to another member of the Group, provided that the aggregate amount of such loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit does not at any time exceed 10 per cent. of the Borrower's Total Assets; (ii) guarantees by the Borrower in relation to the obligations of any other member of the Group; or (iii) the arrangements permitted under Clause 20.11 (*Transactions with Related Parties*).

20.16 Purpose

The Borrower shall apply the proceeds of the Facilities in accordance with Clause 3.1 (*Purpose*).

20.17 Existing Facility

Subject to the terms of the Syndication Side Letter, the Borrower shall repay in full the Existing Facility not later than the earlier of the date of the first Utilisation of Facility 2 and the day falling 30 days from the Syndication Date.

21 EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 21 is an Event of Default.

21.1 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within three Business Days of its due date.

21.2 Financial covenants

Any requirement of Clause 19 (*Financial Covenants*) is not satisfied.

21.3 Other obligations

- (a) The Borrower does not comply with any provision of the Finance Documents (other than those referred to in Clause 21.1 (*Non-payment*) and Clause 21.2 (*Financial Covenants*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the Agent giving notice to the Borrower or the Borrower becoming aware of the failure to comply.

21.4 Misrepresentation

Any representation or statement made or deemed to be made by the Borrower in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, and such representation or statement shall not have been rendered correct and not misleading within 10 Business Days of the Agent giving notice to the Borrower or the Borrower becoming aware of the same.

21.5 Cross default

- (a) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is not paid when due nor within any originally applicable grace period.
- (b) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any single commitment for any Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

- (d) Any creditor of any member of the Group becomes entitled to declare any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) Any of the events described in paragraphs (a) to (d) above occurs in relation to any Financial Indebtedness or commitment for Financial Indebtedness of any amount (including, for the avoidance of doubt, any amount that is less than \$10,000,000 (or its equivalent in any other currency or currencies)), and the aggregate amount of all such Financial Indebtedness and commitments for Financial Indebtedness is in excess of \$35,000,000 (or its equivalent in any other currency or currencies).

21.6 Insolvency

- (a) The Borrower or a Significant Subsidiary is unable or admits its inability to pay its debts as they fall due, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling its indebtedness generally.
- (b) The value of the assets of the Borrower or a Significant Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of the indebtedness of the Borrower or a Significant Subsidiary.

21.7 Insolvency proceedings

Any corporate action or legal proceedings are taken in relation to:

- (a) the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of the Borrower or a Significant Subsidiary, including, but not limited to, institution of supervision (*nablyudenie*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshneye upravlenie*) or bankruptcy management (*konkursnoye upravlenie*) (and such legal proceedings continue for at least 14 days);
- (b) the suspension of payments or a moratorium of any indebtedness of the Borrower or a Significant Subsidiary (and such suspension continues for at least 14 days);
- (c) the presentation or filing of a petition (or similar document) in respect of the Borrower or a Significant Subsidiary in any court, state arbitration court (*arbitrazhnyi sud*) or before any other authority in respect of the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of the Borrower or a Significant Subsidiary (and such petition has not been discharged within 14 days);
- (d) the appointment of a liquidator (*likvidator*) or a liquidation commission (*likvidatsionnaya komissiya*), temporary manager (*vremenny upravlaushiy*), administrative manager (*administrativniy upravlaushiy*), external manager (*vneshniy upravlaushiy*), bankruptcy manager (*konkursniy upravlaushiy*), receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Borrower or a Significant Subsidiary or any of its assets (and such appointment continues for at least 14 days); or
- (e) the enforcement of any Security over any asset or assets of the Borrower or a Significant Subsidiary (unless such enforcement is stayed within 14 days),

or any analogous procedure or step is taken in any jurisdiction.

21.8 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Borrower or a Significant Subsidiary with a value in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and is not discharged or stayed within 30 days.

21.9 Judgment

The rendering against the Borrower or any Subsidiary of the Borrower of a judgment, decree or order for the payment of money in an amount in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and the continuance of any such judgment, decree or order unsatisfied and in effect for any period of 60 consecutive days without a stay of execution.

21.10 Loss of Licence

(a) Any action results in the suspension for more than 30 days or the loss, revocation or termination of any of:

- (i) the Borrower's GSM 900 or 1800 licences for the Moscow licence area, the St.Petersburg licence area and the Krasnodar licence area; or
- (ii) UMC's GSM 900 or 1800 licences for the Ukraine licence area,

except where, within 30 days of any such event, the relevant licence is re-issued on substantially the same terms to any member of the Group and during the period falling before such re-issuance there is no material interruption to, or other material adverse effect on, the operations permitted by such license as a direct result of such prior loss, revocation or termination.

- (b) Any of the Borrower's or UMC's GSM 900 or 1800 licences are amended (or any conditions are imposed with respect to any such licence) in a manner that, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (c) Any of the Borrower's or UMC's assigned spectrum allocations are reassigned to other users (other than a Significant Subsidiary of the Borrower), cancelled or otherwise lost, and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (d) The Borrower sells, leases or otherwise transfers any of its GSM 900 or 1800 licences for the Moscow, St.Petersburg or Krasnodar licence areas.
- (e) Any of the Borrower's GSM 900 or 1800 licences (other than its GSM 900 and 1800 licences for the Moscow, St.Petersburg or Krasnodar licence areas) is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Borrower.
- (f)
 - (i) Any of the GSM 900 or 1800 licences of UMC is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Borrower.
 - (ii) Sub-clause (i) above does not apply to the transfer of the GSM 900 or 1800 licences of UMC pursuant to the UMC Litigation (provided that this sub-clause (ii) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

21.11 Cessation of Business

The Borrower or any Significant Subsidiary suspends, ceases or threatens to suspend or cease to carry on all or a substantial part of its business.

21.12 Expropriation

- (a) By or under the authority of any government:
- (i) any seizure, compulsory acquisition, expropriation, nationalisation or renationalisation is made after the Signing Date of all or any material part of the assets or shares of (or other ownership interest in) any member of the Group;
 - (ii) the management of any member of the Group is wholly or partially displaced or the authority of any member of the Group in the conduct of its business is wholly or partially curtailed; or
 - (iii) any member of the Group is otherwise deprived of, or prevented from exercising ownership or control of, its material business or assets.
- (b) Paragraph (a) above does not apply to:
- (i) the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this paragraph (b)(i) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)) or
 - (ii) the transfer of any or all of:
 - (a) the assets (including licences) held by Bitel; and/or
 - (b) the shares in Bitel
- pursuant to the Bitel Litigation, to a person that is not a member of the Group.

21.13 Russian Foreign Exchange Restrictions

Any foreign exchange law is enacted or introduced in the Russian Federation which has the effect of prohibiting, restricting or delaying any payment by the Borrower or any member of the Group under the Finance Documents.

21.14 Moratorium

Any moratorium is declared on the payment of any external indebtedness of the Russian Federation or of Russian residents generally.

21.15 The Russian Federation

The political or economic situation in the Russian Federation deteriorates or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection or insurgency occurs in, or involves, the Russian Federation and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.

21.16 Unlawfulness

It is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents.

21.17 Repudiation

The Borrower repudiates a Finance Document or evinces an intention to repudiate a Finance Document.

21.18 UMC Litigation

The UMC Litigation is adversely determined and, in the reasonable opinion of the Majority Lenders, such adverse determination has or is reasonably likely to have a Material Adverse Effect.

21.19 Material adverse change

The Majority Lenders determine that a Material Adverse Effect exists, has occurred or is reasonably likely to occur.

21.20 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders.

**SECTION 8
CHANGES TO PARTIES**

22 CHANGES TO THE LENDERS

22.1 Assignments and transfers by the Lenders

(a) Subject to this Clause 22, a Lender (the “**Existing Lender**”) may:

- (i) assign any of its rights; or
- (ii) transfer by novation any of its rights and obligations,

to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).

(b) Unless (i) the assignment or transfer is to an Affiliate of the Existing Lender or to another Lender or (ii) an Event of Default has occurred, any assignment or transfer occurring after the Syndication Date may be made only after notice of the proposed assignment or transfer has been given to the Borrower.

22.2 Conditions of assignment or transfer

(a) An assignment will only be effective on:

- (i) receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and
- (ii) performance by the Agent of all “know your customer” or other checks relating to any person that it is required to carry out in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

(b) A transfer will only be effective if the procedure set out in Clause 22.5 (*Procedure for transfer*) is complied with.

(c) Any assignment or transfer by an Existing Lender to a New Lender shall only be effective if it transfers or assigns the Existing Lender’s share of each Facility pro rata.

(d) If:

- (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
- (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, the Borrower would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

22.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of \$1,000.

22.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of the Borrower;
 - (iii) the performance and observance by the Borrower of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
- and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of the Borrower and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
- (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 22; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Borrower of its obligations under the Finance Documents or otherwise.

22.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 22.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) On the Transfer Date:

- (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents the Borrower and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “**Discharged Rights and Obligations**”);
- (ii) the Borrower and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Borrower and the New Lender have assumed and/or acquired the same in place of the Borrower and the Existing Lender;
- (iii) the Agent, the Mandated Lead Arrangers, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Mandated Lead Arrangers and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
- (iv) the New Lender shall become a Party as a “Lender”.

22.6 Disclosure of information

Any Lender may disclose to any of its Affiliates and any other person:

- (a) to (or through) whom that Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
- (b) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or the Borrower; or
- (c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about the Borrower, the Group and the Finance Documents as that Lender shall consider appropriate if, in relation to paragraphs (a) and (b) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking. This Clause supersedes any previous agreement relating to the confidentiality of this information.

23 CHANGES TO THE BORROWER

The Borrower may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

**SECTION 9
THE FINANCE PARTIES**

24 ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGERS

24.1 Appointment of the Agent

- (a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each other Finance Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to it under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

24.2 Duties of the Agent

- (a) The Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (d) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent or the Mandated Lead Arrangers) under this Agreement it shall promptly notify the other Finance Parties.
- (e) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

24.3 Role of the Mandated Lead Arrangers

Except as specifically provided in the Finance Documents, the Mandated Lead Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

24.4 No fiduciary duties

- (a) Nothing in this Agreement constitutes the Agent or the Mandated Lead Arrangers as a trustee or fiduciary of any other person.
- (b) Neither the Agent nor any Mandated Lead Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

24.5 Business with the Group

The Agent and the Mandated Lead Arrangers may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

24.6 Rights and discretions of the Agent

- (a) The Agent may rely on:

- (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) The Agent may assume, unless it has received notice to the contrary in its capacity as agent for the Lenders, that:
- (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.1 (*Non-payment*)); and
 - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.
- (c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Agent may act in relation to the Finance Documents through its personnel and agents.
- (e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor any Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

24.7 Majority Lenders' instructions

- (a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

24.8 Responsibility for documentation

Neither the Agent nor any Mandated Lead Arranger:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Mandated Lead Arrangers, the

Borrower or any other person given in or in connection with any Finance Document or the Information Memorandum; or

- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

24.9 Exclusion of liability

- (a) Without limiting paragraph (b) below, the Agent will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause.
- (c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.
- (d) Nothing in this Agreement shall oblige the Agent or the Mandated Lead Arrangers to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Mandated Lead Arrangers that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Mandated Lead Arrangers.

24.10 Lenders’ indemnity to the Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent’s gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by the Borrower pursuant to a Finance Document).

24.11 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the other Finance Parties and the Borrower.
- (b) Alternatively the Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.
- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent (acting through an office in the United Kingdom).
- (d) The retiring Agent shall, at its own cost, make available to its successor such documents and records and provide such assistance as its successor may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (e) The Agent’s resignation notice shall only take effect upon the appointment of a successor.

- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 24. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Borrower, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.

24.12 Confidentiality

- (a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

24.13 Relationship with the Lenders

- (a) The Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Agent with any information required by the Agent in order to calculate the Mandatory Cost in accordance with Schedule 5 (*Mandatory Cost formula*).

24.14 Credit appraisal by the Lenders

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Mandated Lead Arrangers that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of the Information Memorandum and any other information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

24.15 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrower) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

24.16 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

25 CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

26 SHARING AMONG THE FINANCE PARTIES

26.1 Payments to Finance Parties

If a Finance Party (a “**Recovering Finance Party**”) receives or recovers any amount from the Borrower other than in accordance with Clause 27 (*Payment Mechanics*) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 27 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “**Sharing Payment**”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 27.5 (*Partial payments*).

26.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 27.5 (*Partial payments*).

26.3 Recovering Finance Party's rights

- (a) On a distribution by the Agent under Clause 26.2 (*Redistribution of payments*), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Borrower shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

26.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 26.2 (*Redistribution of payments*) shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and
- (b) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the Borrower will be liable to the reimbursing Finance Party for the amount so reimbursed.

26.5 Exceptions

- (a) This Clause 26 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**SECTION 10
ADMINISTRATION**

27 PAYMENT MECHANICS

27.1 Payments to the Agent

- (a) On each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Agent specifies.

27.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 27.3 (*Distributions to the Borrower*) and Clause 27.4 (*Clawback*), be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency.

27.3 Distributions to the Borrower

The Agent may (with the Borrower's consent or in accordance with Clause 28 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

27.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

27.5 Partial payments

- (a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
 - (i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent or the Mandated Lead Arrangers under the Finance Documents;

- (ii) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
 - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
 - (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

27.6 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

27.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

27.8 Currency of account

- (a) Subject to paragraphs (b) to (e) below, Dollars is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than Dollars shall be paid in that other currency.

27.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

- (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

28 SET-OFF

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

29 NOTICES

29.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

29.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrower, that identified with its name below;
- (b) in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and
- (c) in the case of the Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

29.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with its signature below (or any substitute department or officer as it shall specify for this purpose).
- (c) All notices from or to the Borrower shall be sent through the Agent.

29.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 29.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

29.5 Electronic communication

- (a) Any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

29.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

30 CALCULATIONS AND CERTIFICATES

30.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

30.2 Certificates and Determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

30.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the London interbank market differs, in accordance with that market practice.

31 PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

32 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

33 AMENDMENTS AND WAIVERS

33.1 Required consents

- (a) Subject to Clause 33.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause.

33.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of “**Majority Lenders**” in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
 - (iv) an increase in or an extension of any Commitment;
 - (v) a change to the Borrower;
 - (vi) any provision which expressly requires the consent of all the Lenders; or

(vii) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 22 (*Changes to the Lenders*), Clause 26 (*Sharing among the Finance Parties*) or this Clause 33,

shall not be made without the prior consent of all the Lenders.

(b) An amendment or waiver which relates to the rights or obligations of the Agent or the Mandated Lead Arrangers may not be effected without the consent of the Agent or the Mandated Lead Arrangers.

34 COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

SECTION 11
GOVERNING LAW AND ENFORCEMENT

35 GOVERNING LAW

This Agreement is governed by English law.

36 ARBITRATION

36.1 Arbitration

Subject to Clause 36.4 (*Agent's option*), any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules (the "**Rules**") of the LCIA.

36.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA within 15 days of the appointment of the second arbitrator.
- (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA within 15 days of such failure who shall designate one of them as chairman.
- (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA within 15 days of such agreement.
- (d) The seat of arbitration shall be London, England and the language of the arbitration shall be English.

36.3 Recourse to courts

Save as provided in Clause 36.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

36.4 Agent's option

Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Agent may (and, if so instructed by the Majority Lenders, shall) by notice in writing to the Borrower require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 37 (*Jurisdiction*).

37 JURISDICTION

37.1 Jurisdiction of English courts

- (a) The courts of England have exclusive jurisdiction to settle all Disputes.

- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 37.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

37.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Borrower:

- (a) irrevocably appoints Law Debenture Corporation, located at the date hereof at 5th Floor, 100 Wood Street, London EC2V 7EX, England, as its agent for service of process in relation to any proceedings commenced in accordance with this Agreement; and
- (b) agrees that failure by a process agent to notify the Borrower of the process will not invalidate the proceedings concerned.

37.3 Waiver of immunity

The Borrower irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Borrower irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
The Original Lenders

<u>Name of Original Lender</u>	<u>Facility 1 Commitment</u> (US\$)	<u>Facility 2 Commitment</u> (US\$)
BTMU (Europe) Limited	105,000,000	116,666,666.66
Bayerische Landesbank	105,000,000	116,666,666.66
HSBC Bank plc	105,000,000	116,666,666.66
ING Bank N.V., Dublin Branch	105,000,000	116,666,666.70
Raiffeisen Zentralbank Oesterreich AG	93,000,000	103,666,666.66
ZAO Raiffeisenbank Austria	12,000,000	13,000,000.00
Sumitomo Mitsui Banking Corporation Europe Limited	105,000,000	116,666,666.66
TOTAL:	630,000,000	700,000,000.00

SCHEDULE 2
Conditions precedent

1 Finance Documents

Executed originals of:

- (a) this Agreement;
- (b) each Fee Letter;
- (c) the Mandate Letter; and
- (d) the Syndication Side Letter.

2 The Borrower

- (a) Notarised copies of the Borrower's duly registered constitutional documents (including any amendments thereto), certificates of registration thereof and the Borrower's registration certificate(s) issued by the competent registration authority.
- (b) Certified copies of all corporate resolutions necessary to authorise the Borrower to execute and perform the Finance Documents and any documents referred to therein and the transactions contemplated thereunder (including but not limited to any major transaction approvals or interested party transaction approvals, if applicable).
- (c) Evidence of the authority of the relevant signatories of the Borrower (including, but not limited to, its Chief Accountant) to execute each Finance Document to which it is a party and any documents referred to therein and the transactions contemplated thereunder.
- (d) An original certificate executed on behalf of the Borrower:
 - (i) certifying the sample signature and office of each person that signed the relevant Finance Document and any documents referred to therein and the transactions contemplated thereunder on behalf of the Borrower and certifying that such signatories hold the positions in which capacity they executed such documents; and
 - (ii) certifying that each copy document relating to it specified in this Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

3 Legal opinions

- (a) A legal opinion of Linklaters as to matters of English law.
- (b) A legal opinion of Linklaters CIS as to matters of Russian law.
- (c) A certificate issued by the in-house legal counsel of the Borrower.

4 Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 37.2 (*Service of process*) has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection

with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

- (c) The unaudited consolidated financial statements of the Group for the financial year ended 31 December 2005.
- (d) Certified copy of the balance sheet, prepared under RAS, as of the latest reporting date (by reference to the date of each Finance Document and the date of each corporate resolution referred to in paragraph 2(b) above) for the Borrower.
- (e) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and 16 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.
- (f) A copy of the *deal passport* of the Borrower (in the form established by Instruction No. 117-I of the Central Bank of the Russian Federation dated 15 June 2004 or other applicable currency control laws and regulations, as the case may be) accepted and duly certified by a Russian authorised bank and copies of all other documents submitted by the Borrower to the Russian authorised bank in accordance with applicable Russian currency control regulations, as the Agent may reasonably require (or evidence that all documents required to obtain such *deal passport* have been duly submitted to ING Bank (Eurasia) ZAO by or on behalf of the Borrower).
- (g) An irrevocable notice of repayment from the Borrower stating that it will repay \$100,000,000 (together with all accrued interest and other amounts then owing) under the Existing Facility not later than on 26 April 2006.
- (h) Evidence satisfactory to the Agent in its reasonable discretion that the Borrower has given instructions to its bank to prepay from the Borrower's account all amounts outstanding under the HSBC Facility, and that the HSBC Facility will be cancelled in full, not later than on 27 April 2006.
- (i) Evidence satisfactory to the Agent in its reasonable discretion that:
 - (i) MOBILE TELESYSTEMS FINANCE S.A. has given instructions to its bank to repay from the account of MOBILE TELESYSTEMS FINANCE S.A. the amount of \$75,000,000 (together with all accrued interest and other amounts then owing) under the MTF Facility no later than on 28 April 2006;
 - (ii) MOBILE TELESYSTEMS FINANCE S.A. has given instructions to its bank to repay from the account of MOBILE TELESYSTEMS FINANCE S.A. all amounts outstanding (after the repayment under sub-paragraph (i) above) under the MTF Facility no later than on 17 May 2006; and
 - (iii) the MTF Facility will be cancelled in full no later than on 17 May 2006.
- (j) Such other documents or evidence which the Agent may reasonably require.

5 Other documents and evidence prior to the first Utilisation Request for Utilisation of Facility 2

- (a) Subject to the terms of the Syndication Side Letter, evidence satisfactory to the Agent in its reasonable discretion that the Borrower has given instructions to its bank to repay from the Borrower's account all amounts outstanding (after the prepayment under paragraph 4 (g) above) under the Existing Facility, and that the Existing Facility will be cancelled in full, not later than on the earlier of the first Utilisation Date of Facility 2 or the date falling 30 days after the Syndication Date.
- (b) Such other documents or evidence which the Agent may reasonably require.

SCHEDULE 3
Utilisation Request

From: Mobile TeleSystems Open Joint Stock Company

To: ING Bank N.V., London Branch as Agent

Dated:

Dear Sirs

**Mobile TeleSystems Open Joint Stock Company — US\$1,330,000,000 Facility Agreement
dated 21 April 2006 (the “Agreement”)**

1 We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2 We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [] or, if that is not a Business Day, the next Business Day)

Facility to be utilised [Facility 1]/[Facility 2]¹

Amount: [] or, if less, the Available Facility

First Interest Period [1/2/3/6 Months]

3 We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

4 The proceeds of this Loan should be credited to [specify R-1-type special bank account of the Borrower, which must be an account with an authorised bank of the Russian Federation].

5 This Utilisation Request is irrevocable.

Mobile TeleSystems Open Joint Stock Company

By: _____
Name:
Title:

By: _____
Name:
Title: Chief Accountant

1 Delete as appropriate

SCHEDULE 4
Selection Notice

From: Mobile TeleSystems
Open Joint-stock Company

To: ING Bank N.V., London Branch (as Agent)

Dated:

Dear Sirs

Mobile TeleSystems Open Joint Stock Company - US\$1,330,000,000 Facility Agreement
dated 21 April 2006 (the "Agreement")

- 1** We refer to the Agreement. This is a Selection Notice. Terms defined in the Agreement have the same meaning in this Selection Notice unless given a different meaning in this Selection Notice.
- 2** We refer to the following [Loan[s] with an] Interest Period ending on [_____]*:
- 3** We request that the next Interest Period for the [above] Loan is [_____].
- 4** This Selection Notice is irrevocable.

Yours faithfully

.....

for and on behalf of
Mobile TeleSystems
Open Joint-stock Company

By:
Name:
Title:

By:
Name:
Title: Chief Accountant

SCHEDULE 5 Mandatory Cost formula

- 1 The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
- 2 On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the “**Additional Cost Rate**”) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders’ Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
- 3 The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Agent. This percentage will be certified by that Lender in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender’s participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
- 4 The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{\text{Ex0.01}}{300} \text{ per cent. per annum.}$$

Where:

- E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
- 5 For the purposes of this Schedule:
 - (a) “**Fees Rules**” means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (b) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (c) “**Tariff Base**” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
 - 6 The resulting figure shall be rounded to four decimal places.
 - 7 If requested by the Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8 Each Lender shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

- (a) the jurisdiction of its Facility Office; and
- (b) any other information that the Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Agent of any change to the information provided by it pursuant to this paragraph.

9 The rates of charge of each Reference Bank for the purpose of E above shall be determined by the Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above.

10 The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11 The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12 Any determination by the Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.

13 The Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.

SCHEDULE 6
Form of Transfer Certificate

To: ING Bank N.V., London Branch as Agent

From: [] (the "Existing Lender") and [] (the "New Lender")

Dated:

**Mobile TeleSystems Open Joint Stock Company — US\$1,330,000,000 Facility Agreement
dated 21 April 2006 (the "Agreement")**

- 1** We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
- 2** We refer to Clause 22.5 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 22.5 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [].
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 29.2 (*Addresses*) are set out in the Schedule.
- 3** The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 22.4 (*Limitation of responsibility of Existing Lenders*).
- 4** This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
- 5** This Transfer Certificate is governed by English law.

THE SCHEDULE
Commitment/rights and obligations to be transferred

[insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments.]

[Existing Lender]

[New Lender]

By:

By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as [_____].

ING Bank N.V., London Branch

By:

SCHEDULE 7
Form of Compliance Certificate

To: ING Bank N.V., London Branch as Agent
From: Mobile TeleSystems Open Joint Stock Company
Dated:

Dear Sirs

**Mobile TeleSystems Open Joint Stock Company — US\$1,330,000,000 Facility Agreement
dated 21 April 2006 (the “Agreement”)**

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

- 1 [We confirm that no Default is continuing.]*
- 2 We confirm that the ratio of Total Debt as at the end of the Relevant Period ending on [•] to OIBDA in respect of such Relevant Period, was [•].
- 3 We confirm that the ratio of OIBDA to Interest Expense for the Relevant Period ending on [•], was [•].

Signed:
[Chief Financial Officer] of
Mobile TeleSystems Open Joint Stock Company

* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

The Borrower

Mobile TeleSystems Open Joint Stock Company

Address: 4 Marksistskaya Street,
109147 Moscow, Russian Federation

Fax No: +7 495 223 2168

Attention: Marina Zabolotneva
Treasury Director

By: _____
Name: Marina Zabolotneva
Title: Treasury Director

By: _____
Name: Rauziya Kolomiets
Title: Chief Accountant

The Mandated Lead Arrangers

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

By: _____

Name:

Title:

Bayerische Landesbank

By: _____

Name:

Title:

HSBC Bank plc

By: _____

Name:

Title:

ING Bank N.V.

By: _____

Name:

Title:

Raiffeisen Zentralbank Oesterreich AG

By: _____

Name:

Title:

Sumitomo Mitsui Banking Corporation Europe Limited

By: _____

Name:

Title:

The Original Lenders

BTMU (Europe) Limited

By: _____

Name:

Title:

Bayerische Landesbank

By: _____

Name:

Title:

HSBC Bank plc

By: _____

Name:

Title:

ING Bank N.V., Dublin Branch

By: _____

Name:

Title:

Raiffeisen Zentralbank Oesterreich AG

By: _____

Name:

Title:

ZAO Raiffeisenbank Austria

By: _____

Name:

Title:

Sumitomo Mitsui Banking Corporation Europe Limited

By: _____

Name:

Title:

The Agent

ING Bank N.V., London Branch

Address: 60 London Wall
London EC2M 5TQ

Fax: +44 207 767 7324

Attention: Sally Hayward/Craig Baker
Agency Operations

By: _____

Name:

Title

DOC 15 Header

EXECUTION COPY

Dated 14 December 2005

US\$200,000,000

FACILITY AGREEMENT

For

CLOSED JOINT STOCK COMPANY "UKRAINIAN MOBILE COMMUNICATIONS"

arranged by

**CITIBANK, N.A.
ING BANK N.V.**

as Bookrunner

**CITIBANK, N.A.
ING BANK N.V.
RAIFFEISEN ZENTRALBANK ÖSTERREICH AG**

as Mandated Lead Arrangers

with

CITIBANK INTERNATIONAL PLC
acting as Agent

Linklaters CIS

Paveletskaya sq. 2, bld. 2
Moscow 115054

Telephone (7-095) 797 9797
Facsimile (7-095) 797 9798

Ref MK/TP

<u>CLAUSE</u>	<u>CONTENTS</u>	<u>PAGE</u>
SECTION 1 INTERPRETATION		
1	DEFINITIONS AND INTERPRETATION	
SECTION 2 THE FACILITIES		
2	THE FACILITIES	
3	PURPOSE	
4	CONDITIONS OF UTILISATION	
SECTION 3 UTILISATION		
5	UTILISATION	
SECTION 4 REPAYMENT, PREPAYMENT AND CANCELLATION		
6	REPAYMENT	
7	PREPAYMENT AND CANCELLATION	
SECTION 5 COSTS OF UTILISATION		
8	INTEREST	
9	INTEREST PERIODS	
10	CHANGES TO THE CALCULATION OF INTEREST	
11	FEES	
SECTION 6 ADDITIONAL PAYMENT OBLIGATIONS		
12	TAX GROSS-UP AND INDEMNITIES	
13	INCREASED COSTS	
14	OTHER INDEMNITIES	
15	MITIGATION BY THE LENDERS	
16	COSTS AND EXPENSES	
SECTION 7 REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT		

17	REPRESENTATIONS
18	INFORMATION UNDERTAKINGS
19	FINANCIAL COVENANTS
20	GENERAL UNDERTAKINGS
21	EVENTS OF DEFAULT
SECTION 8 CHANGES TO PARTIES	
22	CHANGES TO THE LENDERS
23	CHANGES TO THE BORROWER
SECTION 9 THE FINANCE PARTIES	
24	ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGERS
25	CONDUCT OF BUSINESS BY THE FINANCE PARTIES
26	SHARING AMONG THE FINANCE PARTIES
SECTION 10 ADMINISTRATION	
27	PAYMENT MECHANICS
28	SET-OFF
29	NOTICES
30	CALCULATIONS AND CERTIFICATES
31	PARTIAL INVALIDITY
32	REMEDIES AND WAIVERS
33	AMENDMENTS AND WAIVERS
34	COUNTERPARTS
SECTION 11 GOVERNING LAW AND ENFORCEMENT	
35	GOVERNING LAW
36	ARBITRATION
37	JURISDICTION

SCHEDULE 1 The Original Lenders
SCHEDULE 2 Conditions precedent
SCHEDULE 3 Utilisation Request
SCHEDULE 4 Mandatory Cost formula
SCHEDULE 5 Form of Transfer Certificate
SCHEDULE 6 Form of Compliance Certificate
SCHEDULE 7 Selection Notice
SCHEDULE 8 Parent Guarantee
SCHEDULE 9 Amended and Restated Parent Guarantee

THIS AGREEMENT is dated 14 December 2005 and made between:

- (1) **CLOSED JOINT STOCK COMPANY “UKRAINIAN MOBILE COMMUNICATIONS”**, a closed joint-stock company established and existing under the laws of Ukraine registered with number 14333937 and having its registered address at Leiptyszska St. 15, City of Kyiv, 01015, Ukraine, as borrower (the “**Borrower**”);
- (2) **CITIBANK, N.A.** and **ING BANK N.V.** as Bookrunners (the “**Bookrunners**”);
- (3) **CITIBANK, N.A.**, **ING BANK N.V.** and **RAIFFEISEN ZENTRALBANK ÖSTERREICH AG** as Mandated Lead Arrangers (the “**Mandated Lead Arrangers**”);
- (4) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 as lenders (the “**Original Lenders**”); and
- (5) **CITIBANK INTERNATIONAL PLC** as agent of the other Finance Parties (the “**Agent**”).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Additional Cost Rate**” has the meaning given to it in Schedule 4 (*Mandatory Cost formula*).

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Amended and Restated Parent Guarantee**” means the guarantee of the obligations of the Borrower under the Finance Documents by the Parent to be entered into in favour of the Agent (for the benefit of the Finance Parties) substantially in the form set out in Schedule 9 (*Amended and Restated Parent Guarantee*).

“**Annualised Consolidated EBITDA**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

“**Availability Period**” means the period from and including the Signing Date to and including the date which is 60 days after the Signing Date.

“**Available Commitment**” means, in relation to a Facility, a Lender’s Commitment under that Facility minus:

- (a) the amount of its participation in any outstanding Loans under that Facility; and
- (b) in relation to any proposed Utilisation, the amount of its participation in any Loans that are due to be made under that Facility on or before the proposed Utilisation Date.

“**Available Facility**” means, in relation to a Facility, the aggregate for the time being of each Lender’s Available Commitment in relation to that Facility.

“Borrower Audited Original Financial Statements” means the audited consolidated financial statements of the Borrower for the financial year ending 31 December 2004.

“Borrower Litigation” means any of the claims, proceedings (present or future) and causes of action involving the Parent and/or any of its Affiliates (including the Borrower) relating to or arising out of the sale of the Borrower to the Parent or the acquisition, reorganization or ownership of the Borrower by the Parent.

“Break Costs” means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the London interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“Business Day” means a day (other than a Saturday or Sunday) on which banks are open for general business in Amsterdam, London, Moscow, Kyiv and New York City.

“Commitment” means a Facility 1 Commitment or a Facility 2 Commitment.

“Compliance Certificate” means a certificate substantially in the form set out in Schedule 6 (*Form of Compliance Certificate*).

“Confidentiality Undertaking” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between the Borrower and the Agent.

“Consolidated EBITDA” has the meaning given to it in Clause 19 (*Financial Covenants*).

“Consolidated Total Debt” has the meaning given to it in Clause 19 (*Financial Covenants*).

“Consolidated Total Net Worth” has the meaning given to it in Clause 19 (*Financial Covenants*).

“Debt Service” has the meaning given to it in Clause 19 (*Financial Covenants*).

“Default” means an Event of Default or any event or circumstance specified in Clause 21 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“Environment” means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers);
and

(c) land (including land under water).

“**Environmental Law**” means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or
- (c) relate to any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment or a nuisance to any person or that may make the use or ownership of any affected land or property more costly or health and safety matters.

“**Environmental Licence**” means any Authorisation required at any time under Environmental Law.

“**Event of Default**” means any event or circumstance specified as such in Clause 21 (*Events of Default*).

“**Facilities**” means Facility 1 and Facility 2, and “**Facility**” means either of them.

“**Facility 1**” means the term loan facility made available under this Agreement as described in paragraph (a) of Clause 2.1 (*The Facilities*).

“**Facility 1 Commitment**” means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading “Facility 1 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility 1 Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Facility 1 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility 1 Loan**” means a loan made or to be made under Facility 1 or the principal amount outstanding for the time being of that loan.

“**Facility 2**” means the term loan facility made available under this Agreement as described in paragraph (b) of Clause 2.1 (*The Facilities*).

“**Facility 2 Commitment**” means:

- (c) in relation to an Original Lender, the amount set opposite its name under the heading “Facility 2 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility 2 Commitment transferred to it under this Agreement; and
- (d) in relation to any other Lender, the amount of any Facility 2 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility 2 Loan**” means a loan made or to be made under Facility 2 or the principal amount outstanding for the time being of that loan.

“**Facility Office**” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’

written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Fee Letter**” means the letter dated on or about the Signing Date between the Mandated Lead Arrangers and the Borrower (or the Agent and the Borrower) setting out the fees referred to in Clause 11 (*Fees*).

“**Final Maturity Date**” means the date which is 12 Months after the Signing Date.

“**Finance Document**” means this Agreement, any Fee Letter, the Mandate Letter, the Parent Guarantee, the Amended and Restated Parent Guarantee and any other document designated as such by the Agent and the Borrower.

“**Finance Party**” means the Agent, the Mandated Lead Arrangers or a Lender.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) shares which are expressed to be redeemable at the option of the holder on or prior to the Final Maturity Date (but excluding any accrued dividends);
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

“**GAAP**” means generally accepted accounting principles, standards and practices in the United States of America.

“**Group**” means the Parent and its Subsidiaries for the time being.

“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**IFRS**” means the International Financial Reporting Standards issued by the International Accounting Standards Committee, London.

“**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Lender**” means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 22 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**LIBOR**” means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for Dollars or the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of 11:00 a.m. on the Quotation Day for the offering of deposits in Dollars for a period comparable to the Interest Period for that Loan.

“**LMA**” means the Loan Market Association.

“**Loan**” means a Facility 1 Loan or a Facility 2 Loan.

“**Majority Lenders**” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than $66\frac{2}{3}\%$ of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than $66\frac{2}{3}\%$ of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than $66\frac{2}{3}\%$ of all the Loans then outstanding.

“**Mandate Letter**” means the letter between the Mandated Lead Arrangers and the Borrower dated on or about the date of this Agreement.

“**Mandatory Cost**” means the percentage rate per annum calculated by the Agent in accordance with Schedule 4 (*Mandatory Cost formula*).

“**Margin**” means:

- (a) in relation to Facility 1, 0.75 (zero point seventy five) per cent. per annum; and
- (b) in relation to Facility 2, 2.25 (two point twenty five) per cent. per annum,

subject, in relation to Facility 2, to adjustment in accordance with Clause 8.5 (*Adjustment of Margin*).

“**Material Adverse Effect**” means a material adverse effect on or material adverse change in:

- (a) the financial condition, operations, assets, prospects or business of any Obligor or the consolidated financial condition, operations, assets, prospects or business of the Group;

- (b) the ability of any Obligor to perform and comply with their respective obligations under any Finance Document to which they are a party; or
- (c) the validity, legality or enforceability of any Finance Document, or the rights or remedies of any Finance Party thereunder.

“**Measurement Period**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

“**NBU**” means the National Bank of Ukraine.

“**Obligor**” means the Borrower or the Parent.

“**Original Financial Statements**” means:

- (a) the Parent Audited Original Financial Statements;
- (b) the Borrower Audited Original Financial Statements; and
- (c) the unaudited consolidated financial statements of the Parent for the financial quarter ending 30 September 2005 prepared in accordance with RAS.

“**Parent**” means Mobile TeleSystems Open Joint Stock Company, an open joint stock company established and existing under the laws of the Russian Federation and having its registered address at 4 Marksistskaya Street, 109147 Moscow, Russian Federation.

“**Parent Audited Original Financial Statements**” means the audited consolidated and non-consolidated financial statements of the Parent for the financial year ending 31 December 2004.

“**Parent Guarantee**” means the guarantee of the obligations of the Borrower under the Finance Documents by the Parent to be entered into in favour of the Agent (for the benefit of the Finance Parties) substantially in the form set out in Schedule 8 (*Parent Guarantee*).

“**Participating Member State**” means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

“**Party**” means a party to this Agreement.

“**Permitted Security**” means:

- (a) any Security on any assets of any corporation existing at the time such corporation is merged or consolidated with or into the Parent or any Subsidiary of the Parent or becomes a Subsidiary of the Parent and not created in contemplation of such event, provided that no such Security shall extend to any other assets;

- (b) any Security existing on any assets prior to the acquisition thereof by the Parent or any Subsidiary of the Parent and not created in contemplation of such acquisition, provided that no such Security shall extend to any other assets;
- (c) any Security on any assets securing Financial Indebtedness of the Parent or Financial Indebtedness of any Subsidiary of the Parent incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such assets, provided that (i) no such Security shall extend to any other assets; (ii) the aggregate principal amount of all Financial Indebtedness secured by such Security on such assets shall not exceed the lower of (x) the purchase price of such assets and (y) the fair market value of such assets at the time of acquisition, repair or refurbishing; and (iii) such Security attaches to such assets concurrently with the repair or refurbishing thereof or within 90 days after the acquisition thereof, as the case may be;
- (d) any Security arising by operation of law, including any Security (i) arising in the ordinary course of business with respect to amounts not yet delinquent or being contested by the Parent or a Subsidiary of the Parent in good faith in appropriate proceedings or (ii) for taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (e) any Security on the assets of any Subsidiary of the Parent securing intercompany Financial Indebtedness of such Subsidiary owing to the Parent or another Subsidiary of the Parent;
- (f) any netting or set-off arrangement entered into by a member of the Group with a bank or any other financial institution in the normal course of its banking arrangements for the purpose of netting or setting off its debit and credit facilities with that bank or financial institution;
- (g) easements, rights-of-way, restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Parent or the business of any Subsidiary of the Parent, including any encumbrance or restriction with respect to an equity interest of any joint venture pursuant to a joint venture agreement;
- (h) any extension, renewal or replacement of any Security described in clauses (a) to (g) above, provided that (i) such extension, renewal or replacement shall be no more restrictive in any material respect than the original Security; (ii) the amount of Financial Indebtedness secured by such Security is not increased; and (iii) if the assets securing the Financial Indebtedness subject to such Security are changed in connection with such refinancing, extension or replacement, the fair market value of the property or assets is not increased; and
- (i) any other Security (excluding any Security described in (a)-(h) above) provided that, immediately after giving effect to such Security, the aggregate amount of all secured Financial Indebtedness of the Group does not exceed 10% of the Parent's Total Assets.

“Quotation Day” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the London interbank market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the London interbank market (and if quotations for that currency and period would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days).

“**RAS**” means generally accepted accounting principles, standards and practices in the Russian Federation.

“**Reference Banks**” means in relation to LIBOR and Mandatory Cost the principal London offices of the Mandated Lead Arrangers, ABN AMRO Bank N.V., HSBC Bank PLC or such other banks as may be appointed by the Agent in consultation with the Borrower.

“**Registration Certificate**” means the certificate issued by the NBU confirming the registration of this Agreement.

“**Repayment Date**” means the date falling 3 Months after the Signing Date, the date falling 6 Months after the Signing Date, the date falling 9 Months after the Signing Date and the Final Maturity Date.

“**Repeating Representations**” means each of the representations set out in Clauses 17.1 (*Status*), 17.2 (*Binding obligations*), 17.3 (*Non-conflict with other obligations*), 17.4 (*Power and authority*), 17.6 (*Governing law and enforcement*), 17.10 (*No default*), 17.12 (*Pari Passu Ranking*), 17.13 (*No proceedings pending or threatened*), 17.14 (*Environmental laws and licences*) and 17.15 (*Telecommunications law and licences*).

“**Russian Insolvency Law**” means the Federal Law of the Russian Federation No. 127-FZ of 26 October 2002 “On Insolvency (Bankruptcy)”.

“**Screen Rate**” means the British Bankers Association Interest Settlement Rate for Dollars for the relevant period displayed on the appropriate page of the Telerate screen. If the agreed page is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrower and the Lenders.

“**Security**” means a mortgage, charge, lien, pledge or other security interest securing any obligations of any person or any other agreement or arrangement having a similar effect.

“**Selection Notice**” means a notice substantially in the form set out in Schedule 7 (*Selection Notice*) given in accordance with Clause 9 (*Interest Periods*).

“**Significant Subsidiary**” means:

- (a) any Subsidiary of the Parent to which (i) the Parent sells, leases or otherwise transfers its GSM 900 or 1800 licences or (ii) any such licence is re-issued; and
- (b) any Subsidiary of the Parent (i) whose total assets (or, where such Subsidiary prepares consolidated accounts, whose total consolidated assets) have a book value (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) equal to or exceeding 10% of the Parent’s Total Assets or (ii) whose gross annual revenues (or, where such Subsidiary prepares consolidated accounts, whose gross annual consolidated revenues) (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) are equal to or exceed 10% of the Parent’s gross annual consolidated revenues in the year for which the Parent’s most recent consolidated financial statements were prepared.

“**Signing Date**” means the date of this Agreement.

“**Sistema JSFC**” means Joint Stock Financial Corporation Sistema.

“**Specified Time**” means 10.00 a.m. on the Business Day which is three Business Days before the relevant Utilisation Date or, as the case may be, before the first day of the relevant Interest Period.

“**Subsidiary**” means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership.

“**Syndication Date**” means (unless otherwise agreed by the Borrower and the Bookrunners) 31 March 2006.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Telecommunications Authorisation**” means any Authorisation from any governmental or other regulatory authority necessary in order for each of the Parent and its Significant Subsidiaries to maintain, operate and conduct its business as it is being conducted in accordance with Telecommunications Laws.

“**Telecommunications Laws**” means (a) all laws and regulations which relate to telecommunications and/or the business of providing mobile telephone services and (b) all rules, guidelines, policies and regulations made thereunder, that are applicable to each of the Parent and its Significant Subsidiaries and/or the business carried on by it.

“**Total Assets**” means the book value of the consolidated total assets of the Parent as determined by reference to the Parent’s most recent annual consolidated balance sheet delivered in accordance with paragraph (a) of Clause 18.1 (*Financial statements*) or, prior to the first delivery, to the Parent Audited Original Financial Statements.

“**Total Commitments**” means the aggregate of the Total Facility 1 Commitments and the Total Facility 2 Commitments, being \$200,000,000 at the Signing Date.

“**Total Facility 1 Commitments**” means the aggregate of the Facility 1 Commitments, being \$103,000,000 at the Signing Date.

“**Total Facility 2 Commitments**” means the aggregate of the Facility 2 Commitments, being \$97,000,000 at the Signing Date.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 5 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Agent executes the Transfer Certificate.

“**Ukrainian Insolvency Law**” means the Law of Ukraine No. 2343-XII of 14 May 1992 “*On the Restoration of the Solvency of a Debtor or the Declaration of it as a Bankrupt*”.

“**Ukrainian Servicing Bank**” means JSCB Citibank (Ukraine)..

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**US Dollars**”, “**Dollars**”, “**USD**” and “**\$**” denote the lawful currency of the United States of America.

“**Utilisation**” means a utilisation of a Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

“**VAT**” means value added tax and any other tax of a similar nature.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “**Agent**”, any “**Mandated Lead Arranger**”, any “**Finance Party**”, any “**Lender**”, the “**Borrower**” and any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise;
 - (iv) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
 - (v) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a “**person**” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vii) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (ix) a time of day is a reference to London time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.

1.3 Third Party Rights

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

1.4 Governing Language

This Agreement is entered into in both English and Ukrainian language counterparts. In the event of any inconsistency between the English language text and the Ukrainian language text, the English language text shall prevail.

1.5 Term of the Agreement

This Agreement shall come into force from the date of its proper registration with the NBU (notwithstanding any subsequent modification to or termination of such registration) and shall continue in force until all monies payable under it have been fully paid in accordance with its terms.

**SECTION 2
THE FACILITIES**

2 THE FACILITIES

2.1 The Facilities

Subject to the terms of this Agreement, the Lenders make available to the Borrower:

- (a) a term loan facility in Dollars to be designated “**Facility 1**” in an aggregate amount equal to the Total Facility 1 Commitments; and
- (b) a term loan facility in Dollars to be designated “**Facility 2**” in an aggregate amount equal to the Total Facility 2 Commitments.

2.2 Finance Parties’ rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3 PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under the Facilities towards its general corporate purposes, including towards the financing of capital expenditure and the refinancing of existing indebtedness.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

- (a) The Borrower may not deliver the first Utilisation Request in respect of Facility 2 unless the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.
- (b) The Borrower may not deliver the first Utilisation Request in respect of Facility 1 unless the Agent has received all of the documents and other evidence listed in Part I and Part II of

Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (i) no Default is continuing or would result from the proposed Loan;
- (ii) the Repeating Representations are true in all material respects; and
- (iii) the Registration Certificate has not been cancelled or amended and remains in full force and effect.

SECTION 3 UTILISATION

5 UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise a Facility by delivery to the Agent of a duly completed Utilisation Request not later than 10:00 a.m. on the day falling 3 Business Days before the proposed Utilisation Date.

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
- (i) it identifies the Facility to be utilised;
 - (ii) the proposed Utilisation Date is a Business Day within the Availability Period;
 - (iii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
 - (iv) it specifies that the proceeds of the Utilisation are to be credited into account number 2600 5 200092 015 held at the Ukrainian Servicing Bank.
- (b) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be Dollars.
- (b) The amount of the proposed Loan must be:
- (i) a minimum of \$10,000,000 and integral multiple of \$5,000,000 or, if less, the Available Facility; or
 - (ii) in any event such that it is less than or equal to the Available Facility.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the relevant Available Facility immediately prior to making that Loan.
- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan not later than 5:00 p.m. on the day falling 3 Business Days before the relevant Utilisation Date.

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6 REPAYMENT

- (a) The Borrower shall repay the Loans in four equal instalments, by paying on each Repayment Date an amount equal to one quarter of the amount of the Loans outstanding at the close of business on the last day of the Availability Period for the Facilities.
- (b) The Borrower may not reborrow any part of the Facilities which is repaid.
- (c) The Borrower shall repay the Loans from account number 2600 5 200092 015 held at the Ukrainian Servicing Bank unless the Agent notifies the Borrower otherwise.

7 PREPAYMENT AND CANCELLATION

7.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and
- (c) the Borrower shall repay that Lender's participation in the Loans on the last day of the Interest Period for each Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

The Borrower may, if it gives the Agent not less than 5 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, cancel the whole or any part (being a minimum amount of \$10,000,000) of an Available Facility. Any cancellation under this Clause 7.2 shall reduce the Commitments of the Lenders rateably under that Facility.

7.3 Voluntary prepayment of Loans

- (a) The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the Loan by a minimum amount of \$5,000,000).
- (b) A Loan in respect of a Facility may only be prepaid after the last day of the Availability Period (or, if earlier, the day on which the relevant Available Facility is zero).
- (c) Each prepayment shall be applied in satisfaction of the Borrower's obligations under Clause 6 (*Repayment*) in the inverse order of maturity of the Loans (or, at the option of the Borrower, *pro rata* to the remaining principal instalments thereof).

7.4 Mandatory Prepayment — Change of Control

- (a) In this Clause 7.4, "**Change of Control**" means any of the following events or circumstances:

- (i) the Parent ceases to be the legal and beneficial owner of not less than 99% of the issued shares of the Borrower or ceases to own or control of not less than 99% of the voting interests of the share capital of the Borrower; or
 - (ii) any person or group of persons acting in concert or under an express or implied agreement or understanding, directly or through one or more intermediaries, shall (x) acquire ultimate beneficial or legal ownership of, or control over, more than 50% of the issued shares of the Parent; (y) acquire ownership of or control over more than 50% of the voting interests in the share capital of the Parent; or (z) obtain the power (whether or not exercised) to elect not less than half of the directors of the Parent; (provided, however, that any acquisition by Sistema JSFC or any of its Subsidiaries that results in the 50% threshold in paragraphs (x) and (y) above being exceeded, or in the power referred to in paragraph (z) above being obtained, will not be a Change of Control).
- (b) If there is a Change of Control:
- (i) the Borrower shall, or (if applicable) shall procure that the Parent shall, promptly notify each Lender (through the Agent) upon the Borrower or (if applicable) the Parent becoming aware of that event;
 - (ii) the Borrower may not make a Utilisation; and
 - (iii) if any Lender (in its sole discretion) so requires, it may, within 5 Business Days of its receipt of the notification under sub-clause (i) above, direct the Agent to send a notice to the Borrower requiring the Borrower to repay that Lender's participations in the Loans (together with accrued interest) in full on the day (the "**Early Repayment Date**") falling 30 days after the date of the notification under sub-clause (i) above. Before the Early Repayment Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender's rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Early Repayment Date, then (x) the Borrower shall repay that Lender's participations in the Loans (together with accrued interest) in full on the Early Repayment Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.5 Right of repayment and cancellation in relation to a single Lender

If:

- (a) any sum payable to any Lender by the Borrower is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*); or
- (b) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*),

the Borrower may, whilst the circumstance giving rise to the requirement or indemnification continues, give the Agent notice of cancellation of the Commitments of that Lender and its intention to procure the repayment of that Lender's participation in the Loans on the last day of the Interest Period ending after the date of such notice (or, if earlier, on such other date as specified by the Borrower in that notice) (the "**Cancellation Date**"). Before the Cancellation Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender's rights and obligations under this Agreement to

another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Cancellation Date, then (x) the Borrower shall repay that Lender's participations in the Loans (together with accrued interest) in full on the Cancellation Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.6 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) The Borrower may not reborrow any part of a Facility which is prepaid.
- (d) The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.
- (f) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

**SECTION 5
COSTS OF UTILISATION**

8 INTEREST

8.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin;
- (b) LIBOR; and
- (c) Mandatory Cost, if any.

8.2 Payment of interest

The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than 6 Months, on the date falling at six monthly intervals after the first day of the Interest Period).

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is the sum of 2 per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower on demand by the Agent.
- (b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be the sum of 2 per cent. and the rate which would have applied if the overdue amount had not become due.
- (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

8.5 Adjustment of Margin

- (a) Subject to this Clause 8.5, the Margin applicable to each Utilisation under Facility 2 shall be reduced to 0.75 (zero point seventy five) per cent. per annum.

- (b) No adjustment shall be made to the Margin under paragraph (a) above until receipt by the Agent of evidence satisfactory to it that the terms of Clause 20.17 (*Parent Guarantee in respect of Facility 2*) have been fully complied with, including (for the avoidance of doubt) evidence that the requisite corporate approvals have been correctly obtained.
- (c) Any adjustment to the Margin under paragraph (a) above shall take effect on the date falling two Business Days after receipt by the Agent of the evidence referred to in paragraph (b) above.

9 INTEREST PERIODS

9.1 Selection of Interest Periods

- (a) The Borrower may select an Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan has already been borrowed) in a Selection Notice.
- (b) Each Selection Notice for a Loan is irrevocable and must be delivered to the Agent by the Borrower not later than the Specified Time.
- (c) If the Borrower fails to deliver a Selection Notice to the Agent in accordance with paragraph (b) above, the relevant Interest Period will be one Month, subject to paragraph (e) below.
- (d) Subject to this Clause 9, the Borrower may select an Interest Period of 1, 2 or 3 Months or any other period agreed between the Borrower and the Agent (acting on the instructions of all the Lenders).
- (e) An Interest Period for a Loan shall not extend beyond the Final Maturity Date.
- (f) Each Interest Period for a Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period.
- (g) Prior to the Syndication Date each Interest Period shall have a duration of 1 Month or such other duration as is advised to the Borrower by the Bookrunners to ensure that such Interest Period shall end on the Syndication Date.

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 CHANGES TO THE CALCULATION OF INTEREST

10.1 Absence of quotations

Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by 11:00 a.m. on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the rate per annum which is the sum of:
 - (i) the Margin;

- (ii) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select; and
 - (iii) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.
- (b) In this Agreement "**Market Disruption Event**" means:
- (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for Dollars for the relevant Interest Period; or
 - (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 35 per cent. of that Loan) that the cost to it of obtaining matching deposits in the London interbank market would be in excess of LIBOR.

10.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

10.4 Break Costs

- (a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 FEES

11.1 Commitment fee

- (a) The Borrower shall pay to the Agent (for the account of each Lender) a commitment fee, calculated on a daily basis at the rate of 45 per cent of the applicable Margin on that Lender's Available Commitment under the Facilities for the Availability Period.
- (b) The commitment fee will accrue from the Signing Date, and is payable in arrears on the last day of each successive Interest Period which ends during the Availability Period, on the last day of the Availability Period and, if cancelled in full, on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

11.2 Arrangement fee

The Borrower shall pay to the Mandated Lead Arrangers an arrangement fee in the amount and at the times agreed in the Fee Letter.

11.3 Agency fee

The Borrower shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in the Fee Letter.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

12 TAX GROSS-UP AND INDEMNITIES

12.1 Definitions

(a) In this Agreement:

“**Protected Party**” means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by the Borrower to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 12 a reference to “**determines**” or “**determined**” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

(a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender, it shall notify the Borrower.

(c) If a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required, subject to fulfilment by each relevant Lender of its obligations under Clause 12.7 (*Tax forms*).

(d) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(e) Within 45 days of the end of each calendar quarter during which either a Tax Deduction or any payment required in connection with that Tax Deduction was made by the Borrower, the Borrower shall deliver to the Agent for the Finance Party entitled to the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) The Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:
 - (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or
 - (ii) to the extent a loss, liability or cost is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*).
- (c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.
- (d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Agent.

12.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay promptly an amount to the Borrower which that Finance Party determines will leave the Finance Party (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Borrower.

12.5 Stamp taxes

The Borrower shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 Value added tax

- (a) All consideration expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any VAT. If VAT is chargeable on such consideration, that Party shall pay to the Finance Party (or directly to the appropriate tax authority, if so required by law) (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT.

- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither it nor any other member of the group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

12.7 Tax forms

- (a) At least 10 Business Days prior to the date of the first scheduled payment of interest under this Agreement, and within 20 Business Days from the beginning of each calendar year falling after the Signing Date, each Lender shall use its reasonable efforts to provide to the Borrower a document issued by the relevant government authority in its jurisdiction of residence confirming that it is a resident of that jurisdiction.
- (b) At the request of the Borrower (acting reasonably), each Lender shall use its reasonable efforts to provide any other documentation or information to the Borrower that may be reasonably necessary for the Borrower to establish a complete exemption from Ukrainian withholding tax in relation to payments of interest under this Agreement.

13 INCREASED COSTS

13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within three Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the Signing Date.
- (b) In this Agreement “**Increased Costs**” means:
 - (i) a reduction in the rate of return from a Facility or on a Finance Party’s (or its Affiliate’s) overall capital;
 - (ii) an additional or increased cost; or
 - (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

- (a) Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

- (i) attributable to a Tax Deduction required by law to be made by the Borrower;
 - (ii) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied);
 - (iii) compensated for by the payment of the Mandatory Cost; or
 - (iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.
- (b) In this Clause 13.3, a reference to a “**Tax Deduction**” has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 OTHER INDEMNITIES

14.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:

- (i) making or filing a claim or proof against the Borrower;
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall as an independent obligation, within three Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

The Borrower shall, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by the Borrower to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 26 (*Sharing among the Finance Parties*);
- (c) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

14.3 Indemnity to the Agent

The Borrower shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

15 MITIGATION BY THE LENDERS

15.1 Mitigation

- (a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

15.2 Limitation of liability

- (a) The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

16 COSTS AND EXPENSES

16.1 Transaction expenses

The Borrower shall within 15 Business Days of demand pay the Agent, the Bookrunners and the Mandated Lead Arrangers the amount of all reasonable out-of-pocket costs and legal expenses incurred by any of them in connection with the negotiation, preparation, delivery, execution, administration and syndication of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement,

subject, in each case, to the cap on such amounts agreed between the Mandated Lead Arrangers and the Borrower.

16.2 Amendment costs

If (a) any Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 27.9 (*Change of currency*), the Borrower shall, within 10 Business Days of demand, reimburse the Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement costs

The Borrower shall, within 10 Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

17 REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

17.1 Status

- (a) It is a closed joint-stock company, duly established, registered and validly existing under the laws of Ukraine.
- (b) Each Obligor and each Significant Subsidiary has the power to own its assets and carry on its business as it is being conducted.

17.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations, subject to insolvency and other laws affecting creditors' rights generally and principles of equity.

17.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any member of the Group's constitutional documents; or
- (c) any agreement or instrument binding upon it or any member of the Group or any member of the Group's assets.

17.4 Power and authority

Each Obligor has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents and the transactions contemplated by those Finance Documents.

17.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable each Obligor lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents;
- (b) for each Obligor and each Significant Subsidiary to carry on its and their business; and
- (c) to make the Finance Documents to which each Obligor is a party admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect (except, in relation to paragraph (b) above, where the failure to obtain such Authorisations (excluding any Telecommunications Authorisations) is not reasonably likely to have a Material Adverse Effect).

17.6 Governing law and enforcement

- (a) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in its jurisdiction of incorporation.
- (b) Any arbitration award obtained in England in relation to a Finance Document will be recognised and enforced in its jurisdiction of incorporation in accordance with the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards.

17.7 No bankruptcy proceedings

Neither the Borrower, the Parent nor any Significant Subsidiary has taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief (after due inquiry), threatened against any Obligor or any Significant Subsidiary for:

- (a) its liquidation, winding-up, insolvency, dissolution, administration, reorganisation or bankruptcy or the appointment of a liquidation commission (*likvidatsiyna komisiya/ likvidatsionnaya komissiya*) or a similar officer of any Obligor or any Significant Subsidiary;
- (b) the suspension of payments, a moratorium of any indebtedness, judicial management, receivership, provisional supervision, the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoe ozdorovlenie*) and any other rehabilitation procedure (*sanatsiya*), external management (*vneshniy upravlayuschiy*), bankruptcy (assets) administration (*rozporyadjennya*), liquidation procedure (*likvidatsiyna procedura*) and/or the appointment of a bankruptcy manager (*arbitrajnyi keruyuchy/konkursniy upravlayuschiy*) or similar officer of any Obligor or any Significant Subsidiary;
- (c) a composition, assignment or arrangement with any creditor of any Obligor or any Significant Subsidiary or the convening of a meeting of creditors for the purposes of considering an amicable settlement (as defined in the Ukrainian Insolvency Law or the Russian Insolvency Law, as applicable);
- (d) the appointment of a liquidator, judicial manager, receiver and/or manager, administrator, administrative receiver, compulsory manager, provisional supervisor, supervisor, bankruptcy manager or other similar officer in respect of any Obligor or any Significant Subsidiary; or
- (e) any analogous act in respect of any Obligor or any Significant Subsidiary in any jurisdiction.

17.8 No filing or stamp taxes

Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded, enrolled or registered with any court or other authority in that jurisdiction, except for the registration of this Agreement with the NBU, or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except for any fees in connection with the registration of this Agreement with the NBU and court registration fees in connection with any enforcement proceedings in such court.

17.9 Payment of Taxes

Neither any Obligor nor any Significant Subsidiary has overdue Tax liabilities, other than Tax liabilities (a) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves or other appropriate provision has been made or (b) whose amount, together with all such other unpaid or undischarged Taxes, does not in aggregate exceed \$25,000,000 in relation to the Parent or \$10,000,000 in relation to the Borrower or any Significant Subsidiary (or its equivalent in any other currency or currencies).

17.10 No default

- (a) No Default or Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any other member of the Group or to which its (or any other member of the Group's) assets are subject which is reasonably likely to have a Material Adverse Effect.

17.11 Financial statements

- (a) The Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) The Borrower Audited Original Financial Statements were audited by reputable international auditors and fairly represent the Borrower's financial condition and operations as at the end of and for the relevant financial year.
- (c) The Parent Audited Original Financial Statements fairly represent the Parent's and the Group's consolidated, financial condition and operations as at the end of and for the relevant financial year.
- (d) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group) since the date of the Parent Audited Original Financial Statements.

17.12 *Pari passu* ranking

Each Obligor's payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.13 No proceedings pending or threatened

Other than:

- (a) the Borrower Litigation; and
- (b) litigation relating to assets which the Parent acquired between 1 November 2005 and the date of this Agreement (provided that the amount claimed (if quantified by the claimant) or otherwise the value of the claim as determined by the Agent (acting reasonably after consultation with the Borrower) (as applicable) does not exceed \$330,000,000),

no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including but not limited to, investigative proceedings) have, to the best of its knowledge and belief (after due inquiry), been started or threatened against any Obligor or any Significant Subsidiary which, if adversely determined would be reasonably likely to have a Material Adverse Effect.

17.14 Environmental laws and licences

Except as disclosed in writing to the Agent before the date hereof, each member of the Group has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required in connection with its business; and
- (c) complied with the terms of those Environmental Licences,

in each case where failure to do so would be reasonably likely to have a Material Adverse Effect.

17.15 Telecommunications laws and licences

(a) Each of the Borrower, the Parent and the Significant Subsidiaries has:

- (i) complied in all material respects with all Telecommunications Laws to which it may be subject;
- (ii) obtained all material Telecommunications Authorisations necessary to conduct its business; and
- (iii) complied in all material respects with the terms of those Telecommunication Authorisations,

in each case other than where failure to do so would not reasonably be expected to have a Material Adverse Effect.

(b) There has been no act, omission or event which might reasonably be expected to give rise to the material amendment, revocation, suspension, cancellation, withdrawal or termination of any provision of any Telecommunications Authorisation. To the best of its knowledge and belief (after due inquiry), no Telecommunications Authorisation is the subject of any pending or threatened proceedings which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

17.16 Compliance with laws

Each of the Borrower, the Parent and the Significant Subsidiaries is conducting its business and operations in compliance with all laws and regulations and all directives of any government agency having legal force applicable or relevant to it, excluding any such non-compliance which would not reasonably be expected to have a Material Adverse Effect.

17.17 No Immunity

(a) The execution by the Borrower of the Finance Documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial activities done and performed for private and commercial purposes (rather than public and governmental purposes).

(b) In any proceedings taken in the Russian Federation or Ukraine in relation to the Finance Documents, the Borrower will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

17.18 Repetition

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request and the first day of each Interest Period, provided that:

- (a) whenever the representation in paragraph (c) of Clause 17.3 (*Non-conflict with other obligations*) is deemed to be made on a date other than the Signing Date or a Utilisation Date, the statement “except where the same would not be reasonably likely to have a Material Adverse Effect” shall qualify the representation in said paragraph (c)); and
- (b) from the date of the Parent Guarantee until such time as the obligations of the Parent thereunder have been discharged, the Repeating Representations (other than the Repeating Representation in Clause 17.13 (*No Proceedings Pending or Threatened*)) shall be deemed to be made only in respect of the Borrower and its Subsidiaries and not, for the avoidance of doubt, the Parent or any other member of the Group.

18 INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

18.1 Financial statements

- (a) The Borrower shall supply (or, where applicable, shall procure that the Parent shall supply) to the Agent in sufficient copies for all the Lenders:
 - (i) as soon as the same become available, but in any event within 90 days after the end of each of its financial years:
 - (A) its audited financial statements for that financial year; and
 - (B) the audited consolidated and non-consolidated financial statements of the Parent for that financial year; and
 - (ii) as soon as the same become available, but in any event within 60 days after the end of each of its first, second and third financial quarters and within 90 days of its fourth financial quarter:
 - (A) its unaudited financial statements for that financial quarter; and
 - (B) the unaudited consolidated and non-consolidated financial statements of the Parent for that financial quarter.
- (b) From the date of the Parent Guarantee until such time as the obligations of the Parent thereunder have been discharged, the obligation to supply (or, where applicable, to procure to supply) the financial statements referred to in sub-paragraphs (i) and (ii) above shall be limited to the obligation to supply financial statements in respect of the Borrower and not, for the avoidance of doubt, in respect of the Parent.

18.2 Compliance Certificate

- (a) The Borrower shall supply to the Agent with each set of financial statements delivered pursuant to Clause 18.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail)

computations as to compliance with Clause 19 (*Financial Covenants*) as at the date as at which those financial statements were drawn up.

- (b) Each Compliance Certificate shall be signed by an authorised officer of the Borrower and, if required to be delivered with the financial statements delivered pursuant to paragraph (a) of Clause 18.1 (*Financial statements*), shall be reported on by the Borrower's auditors in the form set out in Schedule 6 (*Form of Compliance Certificate*).
- (c) From the date of the Parent Guarantee until such time as the obligations of the Parent thereunder have been discharged, a Compliance Certificate shall be issued by the Borrower in respect of the Borrower and not, for the avoidance of doubt, in respect of the Parent.

18.3 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower or the Parent pursuant to Clause 18.1 (*Financial statements*) shall be certified by an authorised officer of the Borrower or an authorised officer of the Parent in respect of financial statements of the Parent as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
- (b) The Borrower shall procure that each set of consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 19 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that the Original Financial Statements.
- (c) Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.
- (d) The Borrower shall procure that each set of non-consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*):
 - (i) in respect of the Parent, is prepared using RAS accounting practices and financial reference periods; and
 - (ii) in respect of the Borrower, is prepared using GAAP accounting practices and financial reference periods.

18.4 Information: miscellaneous

- (a) Subject to paragraph (b) below, the Borrower shall supply, and shall procure that the Parent shall supply, to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (i) all documents dispatched by the Borrower and the Parent to their respective shareholders (or any class of them) or their respective creditors generally at the same time as they are dispatched;
 - (ii) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which would, if adversely determined, be reasonably likely to have a Material Adverse Effect;
 - (iii) promptly, such information as may be reasonably requested by the Agent (including relevant figures from management accounts) to ascertain whether any Subsidiary of the Parent falls within paragraph (b) of the definition of “Significant Subsidiary”; and
 - (iv) promptly, such further information regarding the financial condition, business and operations of any member of the Group and access to the Borrower’s premises as any Finance Party (through the Agent) may reasonably request.
- (b) From the date of the Parent Guarantee until such time as the obligations of the Parent thereunder have been discharged, the obligation to provide the information referred to in sub-paragraphs (i) to (iv) above shall be limited to information in respect of the Borrower and its Subsidiaries and not, for the avoidance of doubt, in respect of the Parent or any other member of the Group.

18.5 Notification of Default

- (a) The Borrower shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

18.6 Know your customer checks

- (a) If:
 - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
 - (ii) any change in the status of the Borrower after the date of this Agreement; or
 - (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar

checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

19 FINANCIAL COVENANTS

The financial undertakings in this Clause 19 shall remain in force from the Signing Date for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

19.1 Financial condition

The Borrower shall ensure that:

- (a) the ratio of Consolidated Total Debt to Annualised Consolidated EBITDA will not exceed 3:1 at any time;
- (b) the ratio of Consolidated Total Debt to Consolidated Total Net Worth will not exceed 1:1 at any time;
- (c) for each Measurement Period, the ratio of aggregate Consolidated EBITDA for that Measurement Period and the previous Measurement Period to aggregate Debt Service for that Measurement Period and the previous Measurement Period will not be less than 1.75:1; and
- (d) during any financial year of the Borrower, the ratio of aggregate Consolidated EBITDA for that financial year to aggregate Debt Service for that financial year will not be less than 1.75:1.

19.2 Financial covenant calculations

- (a) Annualised Consolidated EBITDA, Consolidated EBITDA, Consolidated Total Debt, Consolidated Total Net Worth and Debt Service shall be calculated and interpreted with the principles applicable to the Borrower Audited Original Financial Statements and shall be expressed in Dollars.
- (b) Any amount in a currency other than US Dollars is to be taken into account at its US Dollars equivalent calculated on the basis of:
 - (i) the Agent’s spot rate of exchange for the purchase of the relevant currency in the London foreign exchange market with US Dollars at or about 11.00 a.m. on the day the relevant amount falls to be calculated; or
 - (ii) if the amount is to be calculated on the last day of a financial period of the Borrower, the relevant rates of exchange used by the Borrower in, or in connection with, its financial statements for that period.

19.3 Definitions

In this Clause 19:

“Annualised Consolidated EBITDA” means Consolidated EBITDA for a Measurement Period aggregated with the Consolidated EBITDA for the three preceding Measurement Periods.

“Consolidated EBITDA” means the consolidated net pre-taxation profits of the UMC Group for a Measurement Period, all as adjusted by:

- (i) adding back consolidated interest payable;
- (ii) subtracting any consolidated interest receivable;
- (iii) taking no account of any exceptional or extraordinary item;
- (iv) excluding any amount attributable to minority interests;
- (v) adding back depreciation and amortisation;
- (vi) adding back unrealised FX losses;
- (vii) subtracting unrealised FX gains; and
- (viii) taking no account of any revaluation of an asset or any loss or gain over book value arising on the disposal of an asset (otherwise than in the ordinary course of trading) by a member of the UMC Group during that Measurement Period.

“Consolidated Total Debt” means, in respect of the UMC Group, at any time the aggregate of the following:

- (a) the outstanding principal amount of any moneys borrowed;
- (b) the outstanding principal amount of any acceptance under any acceptance credit;
- (c) the outstanding principal amount of any bond, note, debenture, loan stock or other similar instrument;
- (d) the capitalised element of indebtedness under a finance or capital lease;
- (e) the outstanding principal amount of all moneys owing in connection with the sale or discounting of receivables (otherwise than on a non-recourse basis);
- (f) the outstanding principal amount of any indebtedness arising from any deferred payment agreements arranged primarily as a method of raising finance or financing the acquisition of an asset;
- (g) any fixed or minimum premium payable on the repayment or redemption of any instrument referred to in paragraph (c) above;
- (h) the outstanding principal amount of any indebtedness arising in connection with any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing; and
- (i) the outstanding principal amount of any indebtedness of any person of a type referred to in paragraphs (a) - (h) above which is the subject of a guarantee, indemnity or similar assurance against financial loss given by a member of the UMC Group.

“Consolidated Total Net Worth” means at any time the aggregate of:

- (a) the amount paid up or credited as paid up on the issued share capital of the Borrower; and

(b) the amount standing to the credit of the consolidated capital and revenue reserves of the UMC Group,

based on the consolidated balance sheet of the Borrower as reported in its financial statements delivered at the end of each Measurement Period but adjusted by:

- (i) deducting any dividend or other distribution declared, recommended or made by any member of the UMC Group; and
- (ii) excluding any amount attributable to minority interests.

“**Debt Service**” means the aggregate of all interest, commission and other finance payments (including, without limitation, under this Agreement; the interest element of leasing and hire purchase payments; and capitalised and accreted interest) incurred by the Borrower in respect of a Measurement Period, plus the aggregate of all payments of principal required to be made during such period in respect of all Financial Indebtedness which bears interest, commission, fees or other charges.

“**Measurement Period**” means a financial quarter of the Borrower ending on the last day of each financial quarter of the Borrower.

“**UMC Group**” means the Borrower and its Subsidiaries, if any.

20 GENERAL UNDERTAKINGS

Subject to Clause 20.18 (*Undertakings in respect of members of the Group*), the undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

20.1 Authorisations and registration

(a) The Borrower shall promptly:

- (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (ii) supply certified copies to the Agent of,

the Registration Certificate and any other Authorisation required under any law or regulation of its jurisdiction of incorporation to enable each Obligor to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

(b) The Borrower shall promptly submit to the NBU all documents required under Ukrainian law and/or requested by the NBU in relation to the registration of this Agreement.

20.2 Compliance with laws

The Borrower shall, and shall procure that the Parent shall, comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

20.3 Maintenance of existence

The Borrower shall, and shall ensure that the Parent shall, maintain its corporate existence.

20.4 Negative pledge

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.
- (b) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will):
 - (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
 - (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
 - (iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

- (c) Paragraphs (a) and (b) above do not apply to Permitted Security.

20.5 Disposals

- (a) The Borrower shall not (and shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset.
- (b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal:
 - (i) made in the ordinary course of trading of the disposing entity;
 - (ii) of assets in exchange for other assets comparable or superior as to type, value and quality;
 - (iii) made from one member of the Group (other than the Parent) to another member of the Group;
 - (iv) of cash or cash equivalents for cash or cash equivalents; or
 - (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with GAAP) does not exceed (x) 10% of the Parent's Total Assets in any financial year of the Parent and (y) 25% of the Parent's Total Assets during the period starting on the Signing Date and ending on the date that all amounts outstanding under this Agreement have been paid in full. At the request of the Agent (any such request to be made no more than once per calendar quarter, unless a Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with GAAP).

When calculating the Parent's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Parent is not available, the Parent's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Agent.

20.6 Merger

- (a) The Borrower shall ensure that the Parent shall not enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelenie obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than a consolidation or merger with one of its Subsidiaries where the Parent is the surviving entity.
- (b) The Borrower shall, and shall ensure that no Significant Subsidiary will, enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva/ zlittya tovarystva*), company accession (*prisoedinyeniye obschestva/priyednannyya tovarystva*), company division (*razdeleyeniye obschestva/podil tovarystva*), company separation (*vydelyeniye obschestva/vydil tovarystva*), company transformation (*preobrazovaniye obschestva/peretvorennyya tovarystva*), company liquidation (*likvidatsiya obschestva/likvidatsiya tovarystva*) or any other company reorganisation (*reorganizatsiya obschestva/reorganizatsiya tovarystva*) (as these terms are construed by applicable law) or otherwise, or any analogous transaction in any jurisdiction if such reorganisation or transaction would, in the opinion of the Agent (acting reasonably), have a Material Adverse Effect.

20.7 Change of business

The Borrower shall procure that no substantial change is made to the general nature of the business of the Parent or the Group from that carried on at the Signing Date.

20.8 Conduct of business

The Borrower shall, and shall procure that each Significant Subsidiary will, conduct its business in all material respects in accordance with:

- (a) all Telecommunications Laws to which it is or may become subject;
- (b) all requirements of the telecommunications regulators of the Russian Federation, Ukraine and any other jurisdiction where it conducts its business; and
- (c) the terms of all relevant Telecommunications Authorisations.

20.9 Asset maintenance

The Borrower shall, and shall procure that the Parent and each Significant Subsidiary will, have and maintain good and marketable title to or valid leases or licences of, or rights of use relating to, all assets necessary to maintain, develop and operate and otherwise conduct its business as then being conducted by it and in each case where failure to do so might reasonably be expected to have a Material Adverse Effect.

20.10 Insurance

The Borrower shall (and shall ensure that each other member of the Group will) maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks, and to the extent, usually insured against by prudent companies located in the same or a similar location and carrying on a similar business.

20.11 Transactions with Related Parties

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will), directly or indirectly, enter into or permit to exist any intercompany loan with, or for the benefit of, any Related Party, unless:
- (i) the terms of such intercompany loan are no less favourable to such member of the Group than those that could be obtained in a comparable arm's-length transaction or series of related transactions with a person that is not a Related Party; or
 - (ii) such intercompany loan is made pursuant to a contract or contracts existing on the Signing Date (excluding any amendments or modifications thereto after the Signing Date),
- provided that the aggregate outstanding amount of all such intercompany loans described in sub-clauses (i) and (ii) above does not, at any time, exceed \$100,000,000.
- (b) Paragraph (a) above does not apply to:
- (i) compensation or employee benefit arrangements with any officer or director of any member of the Group arising out of any employment contract entered into in the ordinary course of business; or
 - (ii) transactions between members of the Group.
- (c) For the purposes of this Clause 20.11 only, a **"Related Party"** means, with respect to any specified person:
- (i) any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person; or
 - (ii) any other person who is a director or executive officer of (a) such specified person or (b) any person described in (i) above.

For purposes of the definition of **"Related Party"** only, **"control"** (including, with correlative meanings, the terms **"controlling," "controlled by"** and **"under common control with"**), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10 per cent. or more of any class, or any series of any class, of equity securities of a person, whether or not voting, shall be deemed to be control.

20.12 Restriction on acquisitions

The Borrower shall ensure that the Parent shall not establish or acquire any Subsidiary or invest in any other entity without the consent of the Majority Lenders (such consent not to be unreasonably withheld), provided that this Clause 20.12 shall not apply to (i) any investment in connection with the acquisition of certain assets from Telsim Mobil Telekomunikasyon Hizmetleri A.S. in accordance with the process outlined in the tender document dated on or around June 2005 and issued by the Savings Deposit Insurance Fund and (ii) any such acquisition or investment where:

- (a) such acquisition or investment relates to a Subsidiary or entity whose principal business is telecommunications or the provision of data services or related or ancillary businesses; and

- (b) the consideration paid by the Parent in relation to such acquisition or investment, when aggregated with the consideration paid by the Parent in relation to each other acquisition or investment permitted under this paragraph (b), does not exceed (i) 20 per cent. of the Parent's Total Assets in the financial year of the Parent ending 31 December 2004; and (ii) 15 per cent. (or such higher amount not exceeding 20 per cent. as the Majority Lenders may agree (acting reasonably)) of the Parent's Total Assets in any other financial year of the Parent.

20.13 Prompt payment of Taxes

The Borrower shall (and shall ensure that the Parent and each Significant Subsidiary will) duly pay all Taxes payable by it, other than (a) those taxes which are being contested in good faith and by appropriate proceedings and in respect of which adequate reserves or other appropriate provisions have been made; or (b) whose amount does not exceed \$25,000,000 (or its equivalent in any other currencies).

20.14 *Pari passu*

The Borrower shall, and shall procure that each member of the Group will, procure that its obligations under the Finance Documents rank at least *pari passu* with all its other unsecured, unsubordinated obligations save where such other obligations are mandatorily preferred by law.

20.15 Loans and guarantees

- (a) The Borrower shall not (and the Borrower shall ensure that no member of the Group will):
 - (i) make any loan, or provide any form of credit or financial accommodation, to any person (including, without limitation, its employees, shareholders, another member of the Group and any Affiliate); or
 - (ii) give or issue any guarantee, indemnity, bond or letter of credit to or for the benefit of, or in respect of liabilities or obligations of, any other person or voluntarily assume any liability (whether actual or contingent) of any other person (including, in each case and without limitation, its employees, shareholders, another member of the Group and any Affiliate).
- (b) The restrictions in paragraph (a) above do not apply to (i) loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit expressly permitted by the Finance Documents or for normal trade credit on arm's length terms and in the ordinary course of business or granted by a member of the Group to another member of the Group, provided that the aggregate amount of such loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit does not at any time exceed 10 per cent. of the Parent's Total Assets; (ii) guarantees by the Parent in relation to the obligations of any other member of the Group; or (iii) the arrangements permitted under Clause 20.11 (*Transactions with Related Parties*).

20.16 Parent Guarantee in respect of Facility 1

The Borrower shall procure that as soon as practicable, but in any event no later than 21 December 2005, the Parent shall enter into the Parent Guarantee.

20.17 Parent Guarantee in respect of Facility 2

- (a) The Borrower shall ensure that the agenda of the Parent's next general shareholders' meeting following the date of this Agreement shall include as an item, in a form satisfactory to the Agent,

approval of the entry by the Parent into the Amended and Restated Parent Guarantee as an interested party transaction (the “**Guarantee Shareholder Resolution**”), in accordance with all legal requirements under Russian law and the constitutional and internal documents of the Parent.

- (b) The Borrower shall use its best endeavours to obtain the approval of the Guarantee Shareholder Resolution by more than 50 per cent. of non-interested shareholders of the Parent (the “**Guarantee Approval**”) and will promptly thereafter deliver to the Agent a certified copy of the minutes of the relevant general shareholders’ meeting in a form acceptable to the Agent.
- (c) The Borrower shall procure that as soon as practicable following, but in any event within 5 Business Days of, the date on which the Guarantee Approval has been obtained, the Parent shall enter into the Amended and Restated Parent Guarantee.

20.18 Undertakings on behalf of other members of the Group

From the date of the Parent Guarantee until such time as the obligations of the Parent thereunder have been discharged, the obligation of the Borrower to procure the performance of the undertakings set out in Clauses 20.2 (*Compliance with laws*) to 20.15 (*Loans and guarantees*) by the Parent and other members of the Group shall be limited to the performance of such undertakings by the Borrower’s Subsidiaries only and not, for the avoidance of doubt, performance by the Parent or any other member of the Group.

21 EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 21 is an Event of Default.

21.1 Non-payment

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within three Business Days of its due date.

21.2 Financial covenants

Any requirement of Clause 19 (*Financial Covenants*) is not satisfied.

21.3 Other obligations

- (a) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 21.1 (*Non-payment*) and Clause 21.2 (*Financial Covenants*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the Agent giving notice to the Borrower or the relevant Obligor becoming aware of the failure to comply.

21.4 Misrepresentation

Any representation or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, and such representation or statement shall

not have been rendered correct and not misleading within 10 Business Days of the Agent giving notice to the Borrower or the relevant Obligor becoming aware of the same.

21.5 Cross default

- (a) Any single item of Financial Indebtedness of the Borrower in an amount exceeding \$1,000,000 or of any other member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is not paid when due nor within any originally applicable grace period.
- (b) Any single item of Financial Indebtedness of the Borrower in an amount exceeding \$1,000,000 or of any other member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any single commitment for any Financial Indebtedness of the Borrower in an amount exceeding \$1,000,000 or of any other member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
- (d) Any creditor of the Borrower in an amount exceeding \$1,000,000 or of any other member of the Group becomes entitled to declare any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) Any of the events described in paragraphs (a) to (d) above occurs in relation to any Financial Indebtedness or commitment for Financial Indebtedness of any amount (including, for the avoidance of doubt, any amount that is less than \$10,000,000 (or its equivalent in any other currency or currencies)), and the aggregate amount of all such Financial Indebtedness and commitments for Financial Indebtedness is in excess of \$1,000,000 in relation to the Borrower and \$35,000,000 in relation to any other member of the Group (or its equivalent in any other currency or currencies).

21.6 Insolvency

- (a) An Obligor or a Significant Subsidiary is unable or admits its inability to pay its debts as they fall due, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling its indebtedness generally.
- (b) The value of the assets of an Obligor or a Significant Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of the indebtedness of an Obligor or a Significant Subsidiary.

21.7 Insolvency proceedings

Any corporate action, legal proceedings or other procedures are taken in relation to:

- (a) the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of an Obligor or a Significant Subsidiary, including, but not limited to, institution of supervision (*nablyudenie*), bankruptcy administration (*rozporyadjennya*), financial rehabilitation (*finansovoe ozdorovlenie*) or any other rehabilitation procedure

(*sanatsiya*), external management (*vneshneye upravlenie*), bankruptcy management (*konkursnoye upravlenie*) or liquidation procedure (*likvidatsiyina procedura*) (and such legal proceedings continue for at least 14 days);

- (b) the suspension of payments, composition, assignment or arrangement with any creditor, or a moratorium of any indebtedness, of an Obligor or a Significant Subsidiary (and such suspension continues for at least 14 days);
- (c) the presentation or filing of a petition (or similar document) in respect of an Obligor or a Significant Subsidiary in any court, state arbitration court (*arbitrazhnyi sud*), commercial court (*gospodarskyi sud*) or before any other authority in respect of the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation, provisional supervision, supervision or liquidation of an Obligor or a Significant Subsidiary (and such petition has not been discharged within 14 days);
- (d) the appointment of a liquidator (*likvidator*) or a liquidation commission (*likvidatsionnaya komissiya/likvidatsiyina komissiya*), temporary manager (*vremenniy upravlaushiy*), assets manager (*rozporyadnyk mayna*), external manager (*konkursniy upravlaushiy*), sanation manager (*keruyuchyi sanatsieyu*), administrative manager (*administrativniy upravlaushiy*), bankruptcy manager (*konkursniy upravlaushiy/arbitrajnyi keruyuchyi*), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor, supervisor or other similar officer in respect of an Obligor or a Significant Subsidiary or any of its assets (and such appointment continues for at least 14 days); or
- (e) the enforcement of any Security over any asset or assets of an Obligor or a Significant Subsidiary (unless such enforcement is stayed within 14 days),

or any analogous procedure or step is taken in any jurisdiction.

21.8 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of an Obligor or a Significant Subsidiary with a value in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and is not discharged or stayed within 30 days.

21.9 Judgment

The rendering against any member of the Group of a judgment, decree, act or order for the payment of money in an amount in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and the continuance of any such judgment, decree, act or order unsatisfied and in effect for any period of 60 consecutive days without a stay of execution.

21.10 Loss of Licence

(a) Any action results in the suspension for more than 30 days or the loss, revocation or termination of any of:

- (i) the Parent's GSM 900 or 1800 licences for the Moscow licence area;
- (ii) the Parent's GSM 900 or 1800 licences for the St. Petersburg licence area;
- (iii) the Parent's GSM 900 or 1800 licences for the Krasnodar licence area; or
- (iv) the Borrower's GSM 900 or 1800 licences for the Ukraine licence area,

except where, within 30 days of any such event, the relevant licence is re-issued on substantially the same terms to any member of the Group and during the period falling before

such re-issuance there is no material interruption to, or other material adverse effect on, the operations permitted by such licence as a direct result of such prior loss, revocation or termination.

- (b) Any of the Parent's or the Borrower's GSM 900 or 1800 licences are amended (or any conditions are imposed with respect to any such licence) in a manner that, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (c) Any of the Parent's or the Borrower's assigned spectrum allocations are reassigned to other users (other than a Significant Subsidiary of the Parent), cancelled or otherwise lost, and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (d) The Parent sells, leases or otherwise transfers any of its GSM 900 or 1800 licences for the Moscow licence area.
- (e) Any of the Parent's GSM 900 or 1800 licences (other than its GSM 900 and 1800 licences for the Moscow licence area) is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Parent.
- (f)
 - (i) Any of the GSM 900 or 1800 licences of the Borrower is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Parent.
 - (ii) Sub-clause (i) above does not apply to the transfer of the GSM 900 or 1800 licences of the Borrower pursuant to the Borrower Litigation (provided that this sub-clause (ii) shall not in any way prejudice the rights of the Finance Parties under Clause 21.19 (*Borrower Litigation*)).

21.11 Cessation of Business

An Obligor or any Significant Subsidiary suspends, ceases or threatens to suspend or cease to carry on all or a substantial part of its business.

21.12 Expropriation

- (a) By or under the authority of any government:
 - (i) any seizure, compulsory acquisition, expropriation, nationalisation, renationalisation or re-privatisation is made after the Signing Date of all or any material part of the assets or shares of (or other ownership interest in) any member of the Group;
 - (ii) the management of any member of the Group is wholly or partially displaced or the authority of any member of the Group in the conduct of its business is wholly or partially curtailed; or
 - (iii) any member of the Group is otherwise deprived of, or prevented from exercising ownership or control of, its material business or assets.

21.13 Russian or Ukrainian Foreign Exchange Restrictions

Any foreign exchange law is enacted or introduced in the Russian Federation or Ukraine which has the effect of prohibiting, restricting or delaying any payment by the Borrower or any member of the Group under the Finance Documents.

21.14 Moratorium

Any moratorium is declared on the payment of any external indebtedness of the Russian Federation or Ukraine or of Russian or Ukrainian residents generally.

21.15 The Russian Federation

The political or economic situation in the Russian Federation deteriorates or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection or insurgency occurs in, or involves, the Russian Federation and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.

21.16 Ukraine

The political or economic situation in Ukraine deteriorates or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection or insurgency occurs in, or involves, Ukraine and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.

21.17 Unlawfulness

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents.

21.18 Repudiation

An Obligor repudiates a Finance Document or evinces an intention to repudiate a Finance Document.

21.19 Borrower Litigation

The Borrower Litigation is adversely determined and, in the reasonable opinion of the Majority Lenders, such adverse determination has or is reasonably likely to have a Material Adverse Effect.

21.20 Material adverse change

The Majority Lenders determine that a Material Adverse Effect exists, has occurred or is reasonably likely to occur.

21.21 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders.

**SECTION 8
CHANGES TO PARTIES**

22 CHANGES TO THE LENDERS

22.1 Assignments and transfers by the Lenders

(a) Subject to this Clause 22, a Lender (the “**Existing Lender**”) may:

- (i) assign any of its rights; or
- (ii) transfer by novation any of its rights and obligations,

to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).

(b) Unless (i) the assignment or transfer is to an Affiliate of the Existing Lender or to another Lender or (ii) an Event of Default has occurred and is continuing, any assignment or transfer occurring after the Syndication Date shall require the consent of the Borrower, provided that (1) such consent shall not be unreasonably withheld or delayed; and (2) unless the Borrower or the Parent has notified the Agent to the contrary within 5 Business Days of receiving notice of the intended assignment or transfer the Borrower and the Parent will be deemed to have given its consent to that assignment or transfer.

22.2 Conditions of assignment or transfer

(a) An assignment will only be effective on:

- (i) receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and
- (ii) performance by the Agent of all “know your customer” or other checks relating to any person that it is required to carry out in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

(b) A transfer will only be effective if the procedure set out in Clause 22.5 (*Procedure for transfer*) is complied with.

22.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of \$1,000.

22.4 Limitation of responsibility of Existing Lenders

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
- (ii) the financial condition of any Obligor;

- (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
- (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
- (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

- (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 22; or
- (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

22.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 22.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) On the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “**Discharged Rights and Obligations**”);
 - (ii) the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Obligors and the New Lender have assumed and/or acquired the same in place of the Obligors and the Existing Lender;

- (iii) the Agent, the Mandated Lead Arrangers, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Mandated Lead Arrangers and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
- (iv) the New Lender shall become a Party as a “Lender”.

22.6 Disclosure of information

Any Lender may disclose to any of its Affiliates and any other person:

- (a) to (or through) whom that Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
- (b) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or the Borrower; or
- (c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about the Borrower, the Parent, the Group and the Finance Documents as that Lender shall consider appropriate if, in relation to paragraphs (a) and (b) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking. This Clause supersedes any previous agreement relating to the confidentiality of this information.

23 CHANGES TO THE BORROWER

The Borrower may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

**SECTION 9
THE FINANCE PARTIES**

24 ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGERS

24.1 Appointment of the Agent

- (a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each other Finance Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to it under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

24.2 Duties of the Agent

- (a) The Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (d) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent or the Mandated Lead Arrangers) under this Agreement it shall promptly notify the other Finance Parties.
- (e) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

24.3 Role of the Mandated Lead Arrangers

Except as specifically provided in the Finance Documents, the Mandated Lead Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

24.4 No fiduciary duties

- (a) Nothing in this Agreement constitutes the Agent or any Mandated Lead Arranger as a trustee or fiduciary of any other person.
- (b) Neither the Agent nor the Mandated Lead Arrangers shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

24.5 Business with the Group

The Agent and the Mandated Lead Arrangers may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

24.6 Rights and discretions of the Agent

- (a) The Agent may rely on:

- (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) The Agent may assume, unless it has received notice to the contrary in its capacity as agent for the Lenders, that:
- (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.1 (*Non-payment*)); and
 - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.
- (c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Agent may act in relation to the Finance Documents through its personnel and agents.
- (e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor any Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

24.7 Majority Lenders' instructions

- (a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

24.8 Responsibility for documentation

Neither the Agent nor any Mandated Lead Arranger:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Mandated Lead Arrangers, the Borrower, the Parent or any other person given in or in connection with any Finance Document; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

24.9 Exclusion of liability

- (a) Without limiting paragraph (b) below, the Agent will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause.
- (c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.
- (d) Nothing in this Agreement shall oblige the Agent or the Mandated Lead Arrangers to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Mandated Lead Arrangers that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Mandated Lead Arrangers.

24.10 Lenders’ indemnity to the Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent’s gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).

24.11 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrower.
- (b) Alternatively the Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.
- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent.

- (d) The retiring Agent shall, at its own cost, make available to its successor such documents and records and provide such assistance as its successor may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (e) The Agent's resignation notice shall only take effect upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 24. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Borrower, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.

24.12 Confidentiality

- (a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

24.13 Relationship with the Lenders

- (a) The Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Agent with any information required by the Agent in order to calculate the Mandatory Cost in accordance with Schedule 4 (*Mandatory Cost formula*).

24.14 Credit appraisal by the Lenders

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Mandated Lead Arrangers that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of any other information provided by the Agent, any Party or by any other person under or in connection with any Finance

Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

24.15 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrower) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

24.16 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

25 CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

26 SHARING AMONG THE FINANCE PARTIES

26.1 Payments to Finance Parties

If a Finance Party (a “**Recovering Finance Party**”) receives or recovers any amount from the Borrower other than in accordance with Clause 27 (*Payment Mechanics*) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 27 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “**Sharing Payment**”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 27.5 (*Partial payments*).

26.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 27.5 (*Partial payments*).

26.3 Recovering Finance Party's rights

- (a) On a distribution by the Agent under Clause 26.2 (*Redistribution of payments*), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Borrower shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

26.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 26.2 (*Redistribution of payments*) shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and
- (b) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the Borrower will be liable to the reimbursing Finance Party for the amount so reimbursed.

26.5 Exceptions

- (a) This Clause 26 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**SECTION 10
ADMINISTRATION**

27 PAYMENT MECHANICS

27.1 Payments to the Agent

- (a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, the Obligor or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Agent specifies.

27.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 27.3 (*Distributions to the Borrower*) and Clause 27.4 (*Clawback*), be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency.

27.3 Distributions to the Borrower

The Agent may (with the Borrower's consent or in accordance with Clause 28 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

27.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

27.5 Partial payments

- (a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
 - (i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent or the Mandated Lead Arrangers under the Finance Documents;

- (ii) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
 - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
 - (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

27.6 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

27.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

27.8 Currency of account

- (a) Subject to paragraphs (b) to (e) below, Dollars is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than Dollars shall be paid in that other currency.

27.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

- (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

28 SET-OFF

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

29 NOTICES

29.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

29.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrower, that identified with its name below;
- (b) in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and
- (c) in the case of the Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

29.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with its signature below (or any substitute department or officer as it shall specify for this purpose).
- (c) All notices from or to the Borrower shall be sent through the Agent.

29.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 29.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

29.5 Electronic communication

- (a) Any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

29.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

30 CALCULATIONS AND CERTIFICATES

30.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

30.2 Certificates and Determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

30.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the London interbank market differs, in accordance with that market practice.

31 PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

32 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

33 AMENDMENTS AND WAIVERS

33.1 Required consents

- (a) Subject to Clause 33.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause.

33.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of “**Majority Lenders**” in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
 - (iv) an increase in or an extension of any Commitment;
 - (v) a change to an Obligor;
 - (vi) any provision which expressly requires the consent of all the Lenders; or

(vii) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 22 (*Changes to the Lenders*), Clause 26 (*Sharing among the Finance Parties*) or this Clause 33,

shall not be made without the prior consent of all the Lenders.

(b) An amendment or waiver which relates to the rights or obligations of the Agent or the Mandated Lead Arrangers may not be effected without the consent of the Agent or the Mandated Lead Arrangers.

34 COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

SECTION 11
GOVERNING LAW AND ENFORCEMENT

35 GOVERNING LAW

This Agreement is governed by English law.

36 ARBITRATION

36.1 Arbitration

Subject to Clause 36.4 (*Agent's option*), any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules (the "**Rules**") of the London Court of International Arbitration (the "**LCIA Court**").

36.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court within 15 days of the appointment of the second arbitrator.
- (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court within 15 days of such failure who shall designate one of them as chairman.
- (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court within 15 days of such agreement.
- (d) The seat of arbitration shall be London, England and the language of the arbitration shall be English.

36.3 Recourse to courts

Save as provided in Clause 36.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

36.4 Agent's option

Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Agent may (and, if so instructed by the Majority Lenders, shall) by notice in writing to the Borrower require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 37 (*Jurisdiction*).

37 JURISDICTION

37.1 Jurisdiction of English courts

- (a) The courts of England have exclusive jurisdiction to settle all Disputes.
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 37.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

37.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Borrower:

- (a) irrevocably appoints Law Debenture Trust Corporation, located at the date hereof at 5th Floor, 100 Wood Street, London EC2V 7EX, England, as its agent for service of process in relation to any proceedings commenced in accordance with this Agreement; and
- (b) agrees that failure by a process agent to notify the Borrower of the process will not invalidate the proceedings concerned.

37.3 Waiver of immunity

The Borrower irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Borrower irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
The Original Lenders

Name of Original Lender	Facility 1 Commitment (US\$)	Facility 2 Commitment (US\$)
Citibank, N.A.	34,333,333.34	32,333,333.33
ING Bank N.V.	34,333,333.33	32,333,333.34
Raiffeisen Zentralbank Österreich AG	34,333,333.33	32,333,333.33
TOTAL:	103,000,000	97,000,000

SCHEDULE 2
Conditions precedent

Part I

1 Finance Documents

Executed originals of:

- (a) this Agreement;
- (b) the Fee Letter; and
- (c) the Mandate Letter.

2 The Borrower

- (a) Certified copies of the Borrower's duly registered constitutional documents and the certificates of state registration of the Borrower.
- (b) Certified copy of the most recent certificate from the Unified State Register of Enterprises and Organisations of Ukraine.
- (c) Certified copies of all corporate resolutions necessary to authorise the Borrower to execute and perform the Finance Documents and any documents referred to therein and the transactions contemplated thereunder (including but not limited to any major transaction approvals or interested party transaction approvals, if applicable).
- (d) Evidence of the authority of the relevant signatories of the Borrower (including, but not limited to, its Chief Accountant and Chairman) to execute each Finance Document to which it is a party and any documents referred to therein and the transactions contemplated thereunder.
- (e) A certified copy of the most recent balance sheet of the Borrower and the Parent by reference to the date of each Finance Document.
- (f) a certified copy of each of the Original Financial Statements.
- (g) A certificate executed on behalf of each of the Borrower:
 - (i) certifying the sample signature and office of each person that signed the relevant Finance Document and any documents referred to therein and the transactions contemplated thereunder on behalf of the Borrower and certifying that such signatories hold the positions in which capacity they executed such documents; and
 - (ii) certifying that each copy document relating to it specified in this Schedule 2 Part I is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

3 Legal opinions

- (a) A legal opinion of Linklaters as to matters of English law.
- (b) A legal opinion of Linklaters CIS as to matters of Russian law.
- (c) A legal opinion of B.C. Toms & Co JSC as to matters of Ukrainian law.
- (d) An in-house legal opinion of the Borrower.

4 Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 37.2 (*Service of process*) has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (c) The Original Financial Statements.
- (d) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and 16 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.
- (e) The Registration Certificate of the NBU confirming the registration of this Agreement as required by Ukrainian law.
- (f) Evidence that the relevant accounts with the Ukrainian Servicing Bank has been established.
- (g) Such other documents or evidence which the Agent may reasonably require.

Part II

1 Parent Guarantee

Executed original of the Parent Guarantee

2 The Parent

- (a) Certified copies of the Parent's duly registered constitutional documents.
- (b) Certified copies of all corporate resolutions necessary to authorise the Parent to execute and perform the Finance Documents and any documents referred to therein and the transactions contemplated thereunder (including but not limited to any major transaction approvals or interested party transaction approvals, if applicable).
- (c) Evidence of the authority of the relevant signatories of the Parent (including, but not limited to, its Chief Accountant) to execute each Finance Document to which it is a party and any documents referred to therein and the transactions contemplated thereunder.
- (d) A certified copy of the most recent balance sheet of the Parent by reference to the date of each Finance Document.
- (e) A certificate executed on behalf of the Parent:
 - (i) certifying the sample signature and office of each person that signed the relevant Finance Document and any documents referred to therein and the transactions contemplated thereunder on behalf of the Parent and certifying that such signatories hold the positions in which capacity they executed such documents; and
 - (ii) certifying that each copy document relating to it specified in this Schedule 2 Part II is correct, complete and in full force and effect as at a date no earlier than the date of the Parent Guarantee.

3 Legal opinions

- (a) A legal opinion of Linklaters as to matters of English law.
- (b) A legal opinion of Linklaters CIS as to matters of Russian law.
- (c) An in-house legal opinion of the Parent.

4 Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 16.2 (*Service of process*) of the Parent Guarantee has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (c) Such other documents or evidence which the Agent may reasonably require.

SCHEDULE 3
Utilisation Request

From: Closed Joint Stock Company “Ukrainian Mobile Communications”

To: Citibank International plc as Agent

Dated:

Dear Sirs

**Closed Joint Stock Company “Ukrainian Mobile Communications” — US\$200,000,000 Facility Agreement
dated [] (the “Agreement”)**

1 We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2 We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [] or, if that is not a Business Day, the next Business Day)

Facility to be utilised [Facility 1]/[Facility 2]*

Amount: [] or, if less, the Available Facility

Interest Period: []

3 We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

4 The proceeds of this Loan should be credited to account number [•] held at the Ukrainian Servicing Bank.

5 This Utilisation Request is irrevocable.

Closed Joint Stock Company “Ukrainian Mobile Communications”

By: _____

Name:

Title: General Director

*Delete as appropriate

SCHEDULE 4
Mandatory Cost formula

- 1** The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
- 2** On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the “**Additional Cost Rate**”) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders’ Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
- 3** The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Agent. This percentage will be certified by that Lender in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender’s participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
- 4** The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{E \times 0.01}{300} \quad \text{per cent. per annum.}$$

Where:

- E** is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
- 5** For the purposes of this Schedule:
- (a) “**Fees Rules**” means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (b) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (c) “**Tariff Base**” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
- 6** The resulting figure shall be rounded to four decimal places.
- 7** If requested by the Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that

Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8 Each Lender shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

- (a) the jurisdiction of its Facility Office; and
- (b) any other information that the Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Agent of any change to the information provided by it pursuant to this paragraph.

9 The rates of charge of each Reference Bank for the purpose of E above shall be determined by the Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above.

10 The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11 The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12 Any determination by the Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.

13 The Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.

SCHEDULE 5
Form of Transfer Certificate

To: Citibank International plc as Agent

From: [] (the “Existing Lender”) and [] (the “New Lender”)

Dated:

Closed Joint Stock Company “Ukrainian Mobile Communications” — US\$200,000,000 Facility Agreement
dated [] (the “Agreement”)

- 1** We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
- 2** We refer to Clause 22.5 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender’s Commitment, rights and obligations referred to in the Schedule in accordance with Clause 22.5 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [].
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 29.2 (*Addresses*) are set out in the Schedule.
- 3** The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in paragraph (c) of Clause 22.4 (*Limitation of responsibility of Existing Lenders*).
- 4** This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
- 5** This Transfer Certificate is governed by English law.

THE SCHEDULE
Commitment/rights and obligations to be transferred

[insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments.]

[Existing Lender]

[New Lender]

By:

By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as [].

Citibank International plc

By:

SCHEDULE 6
Form of Compliance Certificate

To: Citibank International plc as Agent

From: Closed Joint Stock Company “Ukrainian Mobile Communications”

Dated:

Dear Sirs

Closed Joint Stock Company “Ukrainian Mobile Communications” — US\$200,000,000 Facility Agreement
dated [] (the “Agreement”)

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

- 1 [We confirm that no Default is continuing.]*
- 2 We confirm that the ratio of Consolidated Total Debt to Annualised Consolidated EBITDA was [•].
- 3 We confirm that the ratio of Consolidated Total Debt to Consolidated Total Net Worth was [•].
- 4 We confirm that for the previous Measurement Period ending on [•], the ratio of aggregate Consolidated EBITDA for that Measurement Period and the previous Measurement Period ending on [•] to aggregate Debt Service for that Measurement Period and the previous Measurement Period ending on [•] was [•].
- 5 We confirm that during the previous financial year, the ratio of aggregate Consolidated EBITDA for that financial year to aggregate Debt Service for that financial year was never less than 1.75:1.

Signed: _____
General Director of
Closed Joint Stock Company “Ukrainian Mobile Communications”

**insert applicable certification language*

We have reviewed the Facility Agreement and audited consolidated financial statements of Closed Joint Stock Company “Ukrainian Mobile Communications” for the year ended [].

On the basis of that review and audit, nothing has come to our attention which would require any modification to the confirmations in paragraphs 2 or 3 of the above Compliance Certificate.

*If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

for and on behalf of

name of auditors of Closed Joint Stock Company “Ukrainian Mobile Communications”

SCHEDULE 7
Selection Notice

From: Closed Joint Stock Company "Ukrainian Mobile Communications"

To: Citibank International plc (as Agent)

Dated:

Dear Sirs

**Closed Joint Stock Company "Ukrainian Mobile Communications" — US\$200,000,000 Facility Agreement
dated [_____] 2005 (the "Agreement")**

- 1 We refer to the Agreement. This is a Selection Notice. Terms defined in the Agreement have the same meaning in this Selection Notice unless given a different meaning in this Selection Notice.
- 2 We refer to the following Loan[s] with an Interest Period ending on [_____] .*
- We request that the next Interest Period for the above Loan[s] is [_____] .
- 3 This Selection Notice is irrevocable.

Yours faithfully

for and on behalf of
Closed Joint Stock Company "Ukrainian Mobile Communications"

By: _____

Name:

Title: General Director

*Insert details of all Loans which have an Interest Period ending on the same date.

SCHEDULE 8
Parent Guarantee

SCHEDULE 9
Amended and Restated Parent Guarantee

The Borrower

Closed Joint Stock Company “Ukrainian Mobile Communications”

Address: Leiptsyzska St. 15,
City of Kyiv, 01015,
Ukraine

Fax No: +380 44 230 02 55

Attention: Mark Burden / Antonina Koroliov

By: _____

Name:

Title: General Director

The Bookrunners

Citibank, N.A.

By: _____

Name:

Title:

Address: Citibank NA Loans Operations Department, 5th Floor, Citigroup Centre, 33 Canada Square,
Canary Wharf, London E14 5 LB

Attn: UK Loans Processing Unit

Payment Instructions for USD:

Bank Name: Citibank NA, New York

SWIFT: CITIUS33

In favour of: Citibank NA, London

SWIFT: CITIGB2L

Account Number: 10990765

Attn: UK Loans Dept

ING Bank N.V.

By: _____

Name:

Title:

Address: 49 St. Stephen's Green, Dublin 2, Ireland

Tax Address: Amstelveenseweg 500, 1081 KL Amsterdam

Telephone: +353 1 6384016

Fax: +353 1 6384050

Email: emma.condon@ie.ing.com

Attention: Emma Condon

Payment Instructions for USD:

Name of Bank: JP Morgan Chase, New York

SWIFT: CHASUS33

ING Bank Dublin Acc. No: 001-1-427457

SWIFT: INGBIE2D

Reference: CJSC "Ukrainian Mobile Communications - USD 200m Facility Agreement, attn. Emma Condon

The Mandated Lead Arrangers

Citibank, N.A.

By: _____

Name:

Title:

ING Bank N.V.

By: _____

Name:

Title:

Raiffeisen Zentralbank Österreich AG

By: _____

Name:

Title:

Address: Am Stadtpark 9, 1030 Vienna, Austria

Telephone: +43 1 71707 1398

Fax: +43 1 71707 2383

E-mail: Verena.Walter@rzb.at

Attention: Ms. Verena Walter

Payment Instructions for USD:

Name of bank: Citibank N.A.

SWIFT: CITIUS33

Account No.: 1092 - 0871

Account Name: Raiffeisen Zentralbank Österreich AG, Vienna

Reference: CJSC "Ukrainian Mobile Communications - USD 112,500,000 Facility Agreement, attn. Verena Walter

The Original Lenders

Citibank, N.A.

By: _____

Name:

Title:

ING Bank N.V.

By: _____

Name:

Title:

Raiffeisen Zentralbank Österreich AG

By: _____

Name:

Title:

The Agent

Citibank International plc

Address: 2nd Floor, 4 Harbour Exchange Square, London E14 9GE

Fax: +44 20 8636 3824

Attention: Loans Agency

By: _____

Name:

Title:

Payment Instructions for USD:

Bank Name: Citibank NA, New York

SWIFT: CITIUS33

In favour of: Citibank International PLC

SWIFT: CITTGB2LELA

Account Number: 10963054

Attn: Loans Agency/John Nelson

DOC 16 Header

CREDIT AGREEMENT

Dated 11 October 2004

between

OJSC Mobile TeleSystems, Russian Federation

as borrower

and

HSBC Bank plc

and

ING BHF-BANK Aktiengesellschaft

as arrangers and lenders

HSBC Bank plc

as facility agent

ING BHF-BANK Aktiengesellschaft

as Hermes agent

Table of Contents

Preamble

Clause

1.	Definitions and Interpretations	4
2.	Amount and Purpose of the Credits	7
3.	Disbursements / Reimbursements	10
4.	Conditions Precedent to Disbursements / Reimbursements	12
5.	Interest Periods, Interest, Increased Costs	13
6.	Fees	15
7.	Calculation of Periods	16
8.	Repayment and Prepayment	16
9.	Payments	17
10.	Taxes, Levies, Duties and Other Costs	18
11.	Guarantee of the Federal Republic of Germany for tied Buyer's Credits	21
12.	Suspension of Disbursement, Payments Immediately Due (Events of Default)	22
13.	Representations and Warranties	23
14.	Financial Statements, Information and Undertakings	24
15.	Assignability	27
16.	Statements and Notices	27
17.	Miscellaneous	28
18.	Currency Indemnity	28
19.	Applicable Law, Place of Performance and Jurisdiction	28
20.	General Provisions	29

Annexes to the Credit Agreement

1a - 1e Certificates for Disbursement and Reimbursement

2 Confirmation of Coming into Force of the Export Contract / Additional Export Contract

3a - 3b Confirmation of Mean-weighted Acceptance of Equipment and Software in relation to the Export Contract / in relation to the Additional Export Contract

4 Specimen Signature List of the Borrower

5 Form for Appointment of Agent for Service of Process to the Credit Agreement

This Agreement is made by and between OJSC Mobile TeleSystems, Moscow, Russian Federation (the "Borrower") and HSBC Bank plc, London, United Kingdom and ING BHF-BANK Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (each a "Lender" and together the "Lenders").

Preamble

- A. On 8 June 2004 the Borrower concluded contract number 1909/04-MTC (the "Export Contract") with Siemens Aktiengesellschaft, Berlin-Munich, Federal Republic of Germany (the "Exporter") for the delivery of equipment and provision of software licenses for a GSM 900/1800 cellular network.
- B. The total contract value of the deliveries to be made and services to be rendered under the Export Contract amounts to USD 83,000,000 (the "Total Contract Value").
- C. According to the Export Contract the deliveries/services shall be made/rendered through the placement of individual purchase orders issued between June 2004 to 31 December 2004. Installation and commissioning work will be carried out by OOO Siemens, Moscow, and is not subject of financing hereunder.
- D. The Total Contract Value is to be paid, according to the terms of the Export Contract, as follows:
 - (1) 15% down payments
 - (2) 85% (the "Partial Contract Value") provided that a tied buyer's credit is available for financing thereof, pro rata to deliveries made/services rendered within 15 days of such deliveries/services.
- E. The Borrower and the Exporter may also agree to enter into a further contract for the supply of additional telecommunications equipment (the "Additional Export Contract"), the financing terms of which may provide for additional payments partially being made under the terms of this Credit Agreement.
- F. The total additional contract value of further deliveries to be made and services to be rendered under the Additional Export Contract (if such Additional Export Contract is agreed) is expected to amount up to USD 40,000,000 (the "Total Additional Contract Value").
- G. The terms of the Additional Export Contract (if agreed) are expected to enable deliveries/services to be made/rendered through a further series of purchase orders to be issued between October 2004 to July 2005.
- H. The Total Additional Contract Value (if the Additional Export Contract is agreed) is expected to consist of 15% downpayments and a portion of 85% as partial additional contract value (the "Partial Additional Contract Value") to be financed hereunder at the option of the Borrower, subject to the agreement of Hermes (as defined below) and the Lenders.

This being premised, it is hereby agreed as follows:

1. Definitions and Interpretations

Additional Export Contract means an additional contract which may be entered into between the Borrower and the Exporter as defined in Article E of the Preamble

Additional Insurance Premium	means the premium as defined in Clause 11.3
Additional Repayment Date	means the date(s) as defined in Clause 5.1 d)
Affiliate	means, in relation to any person a Subsidiary of that person, or a Holding Company of that person, or any other Subsidiary of that Holding Company
Agent for Service of Process	means the person or entity as defined in Clause 19.4
Agreed Currency	means the currency as defined in Clause 18
Banking Day	means a day (other than Saturday or Sunday) on which banks are generally open for business in London and Frankfurt am Main
Borrower	means OJSC Mobile TeleSystems, 4 Marksistskaya Street, Moscow 109147, Russian Federation Payment details: foreign currency account No. 40702840500001001817 with ING Bank (Eurasia) ZAO, Moscow 123022, Krasnaya Presnja Str., 31 SWIFT code INGBRUMM
Credit A	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 1 and Tranche 2
Credit B	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 3 and Tranche 4
Credit or Credits	means the aggregate principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and “Credits” shall include the Tranches
Credit Agreement	means this agreement
Export Contract	means the contract between the Borrower and the Exporter defined in Article A of the Preamble
Exporter	means Siemens Aktiengesellschaft, Hofmannstrasse 51, 81379 Munich, Federal Republic of Germany
Facility Agent	means HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom
Hermes	means the German export credit agency Euler Hermes Kreditversicherungs-AG, Hamburg, Federal Republic of Germany
Hermes Agent	means ING BHF-BANK Aktiengesellschaft, Bockenheimer Landstrasse 10, 60323 Frankfurt am Main, Federal Republic of Germany
Holding Company	means, in relation to a person, any other person in respect of which it is a Subsidiary

Insurance Agreement	means the agreement as per Clause 11.1
Insurance Premium	means the premium as defined in Clause 11.2
Interest Payment Date	means the date as defined in Clause 5.2.e)
Interest Period(s)	means the period(s) as defined in Clause 5.1
Judgement Currency	means the currency as defined in Clause 18
Lender(s)	means HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom Payment details: SWIFT MRMDUS33, account number 000-023868 held with HSBC Bank USA, New York, in favour of HSBC Bank plc, London, SWIFT MIDLGB22 account number 36677449 in the name of Project and Export Finance quoting ref 53M/FC1046 and ING BHF-BANK Aktiengesellschaft, Bockenheimer Landstrasse 10, 60323 Frankfurt am Main, Federal Republic of Germany Payment details: SWIFT BHFBDDEF, account number 8033130377 held with Bank of New York, New York, SWIFT IRVTUS3N
LIBOR	means the interest rate as defined in Clause 5.2.a)
Margin	means the margin as defined in Clause 5.2.a)
Partial Contract Value	means the part of the Total Contract Value as defined in Article D of the Preamble
Partial Additional Contract Value	means the part of the Total Additional Contract Value as defined in Article H of the Preamble
Reference Banks	means the London offices of HSBC Bank plc and ING BHF-Bank Aktiengesellschaft
Repayment Date(s)	means the date(s) as defined in Clause 5.1.d)
Passport Bank	means OOO HSBC Bank (RR) 9, Dmitrovsky pereulok, Moscow 103031, Russian Federation or such other bank as approved by the Facility Agent
Special Payment Procedure	means the special payment procedure provided for under a certain disbursement facility agreement to be entered into by and between the Borrower, the Facility Agent and the Passport Bank
Subsidiary	means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership
Supplemental Insurance Agreement	means the supplemental agreement as per Clause 11.1
Total Assets	means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower's most recent annual

consolidated balance sheet delivered in accordance with Clause 14 a)

Total Contract Value	means the aggregate price agreed upon in the Export Contract for deliveries made and services rendered thereunder as defined in Article B of the Preamble
Total Additional Contract Value	means the aggregate price agreed upon in the Additional Export Contract for deliveries to be made and services to be rendered thereunder as defined in Article F of the Preamble
Tranche 1	means the part of Credit A as defined in Clause 2.2.a) hereof
Tranche 2	means the part of Credit A as defined in Clause 2.2.b) hereof
Tranche 3	means the part of Credit B as defined in Clause 2.2.c) hereof
Tranche 4	means the part of Credit B as defined in Clause 2.2.d) hereof
Tranches	means, collectively, Tranche 1 and Tranche 2 and, if applicable Tranche 3 and Tranche 4 as defined in Clause 2.2
UMC	means Ukrainian-German-Dutch-Danish Joint Venture “Ukrainian Mobile Communications” in Ukraine
UMC Litigation	means any of the claims, proceedings (present or future) and causes of action involving the Borrower, and/or any Affiliate thereof (including UMC) relating to or arising out of the sale of UMC to the Borrower, or the acquisition, reorganization or ownership of UMC by the Borrower.
USD	means the lawful currency of the United States of America

2. Amount and Purpose of the Credits

2.1 The Lenders grant to the Borrower a credit in an aggregate amount of up to:

USD 75,748,000.00
(in words: United States Dollars seventy five million seven hundred forty eight thousand)
 (“Credit A”)

With reference to the Additional Export Contract, and subject to the agreement of Hermes, the Lenders may elect in their absolute and free discretion to grant to the Borrower upon its written request a further credit in an aggregate amount of up to:

USD 36,514,000.00
(in words: United States Dollars thirty six million five hundred fourteen thousand)
("Credit B")

It is hereby agreed and understood by the Borrower and the Lenders that the Lenders, by entering into this Credit Agreement, do not assume any commitment to grant Credit B but that the granting of such Credit B is at their sole discretion and will only materialise upon the Lenders written approval.

Credit A and Credit B shall hereinafter be referred to individually as a "Credit" or collectively as "Credits".

2.2 Credits shall consist of:

- a) Tranche 1 in an amount of USD 70,550,000.00 (in words: United States Dollars seventy million five hundred and fifty thousand) which shall be available for the financing of the Partial Contract Value either (i) still due and payable to the Exporter resulting from deliveries made/services rendered under the Export Contract, or (ii) payable to the Borrower resulting from deliveries made / services rendered under the Export Contract for which payment has been made, directly by the Borrower to the Exporter; and
- b) Tranche 2 in an amount of USD 5,198,000.00 (in words: United States Dollars five million one hundred ninety eight thousand) which shall be available for the financing of up to 85% of the Insurance Premium for cover of the Lenders' payment claims under the Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to Hermes; and if so applicable
- c) Tranche 3 in an amount of up to USD 34,000,000.00 (in words: United States Dollars thirty four million) which shall be available for the financing of the Partial Additional Contract Value either (i) still due and payable to the Exporter resulting from deliveries made/services rendered under the Additional Export Contract, or (ii) payable to the Borrower resulting from deliveries made / services rendered under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; and
- d) Tranche 4 in an amount of USD 2,514,000.00 (in words: United States Dollars two million five hundred fourteen thousand) which shall be available for the financing of up to 85% of the Additional Insurance Premium for cover of the Lenders' payment claims under the Supplemental Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to Hermes;

unless otherwise stipulated hereinafter, any reference in this Credit Agreement to the Credit shall include the Tranches applicable to that Credit, and to Credits or to credit amounts or to any other similar term shall include the Tranches.

- 2.3 The amounts borrowed under this Credit Agreement are exclusively available (i) provided that payment of the Partial Contract Value for deliveries made/services rendered has been effected by the Borrower to the Exporter prior to fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders by means of payment from sources other than this Credit Agreement, for reimbursement thereof to the Borrower; (ii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for reimbursement to the Borrower in the amount of the Partial Contract Value resulting from deliveries made/services rendered under the Export Contract for which payment has been made directly by the Borrower to the Exporter; (iii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Contract Value resulting from deliveries made/services rendered under the Export Contract; (iv) for reimbursement to the Borrower of up to 85% of the Insurance Premium paid by the Borrower to the Lenders through the Facility Agent; (v) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for reimbursement to the Borrower in the amount of the Partial Additional Contract Value resulting from further deliveries made/services rendered under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; (vi) in respect of the optional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Additional Contract Value resulting from deliveries made/services rendered under the Additional Export Contract; and (vii) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for reimbursement to the Borrower of up to 85% of the Additional Insurance Premium paid by the Borrower to the Lenders through the Facility Agent.
- 2.4 Upon and subject to the terms and conditions of this Credit Agreement each of the Lenders shall participate in each disbursement or reimbursement of the Credits in the proportion of its maximum liability mentioned in this Clause 2.4 as percentage of the maximum credit amounts mentioned in Clause 2.1 hereof.

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Credit A
50%, max. USD 37,874,000.00
(in words: United States Dollars thirty seven million
eight hundred seventy four thousand)

Credit B (optional financing)
50%, max. USD 18,257,000.00
(in words: United States Dollars eighteen million two hundred fifty seven
thousand)

ING BHF-BANK Aktiengesellschaft
Bockenheimer Landstrasse 10
60323 Frankfurt am Main
Federal Republic of Germany

Credit A
50%, max. USD 37,874,000.00
(in words: United States Dollars thirty seven million
eight hundred seventy four thousand)

Credit B (optional financing)
50%, max. USD 18,257,000.00
(in words: United States Dollars eighteen million two hundred fifty seven
thousand)

2.5 The Credit shall be made available under exclusion of any joint liability. Therefore, each of the Lenders shall only be responsible for the fulfilment of its obligation and shall not be liable for the fulfilment of the obligations of the other Lender under this Credit Agreement. The failure of any of the Lenders to provide funds according to its obligation under this Credit Agreement shall neither release the other Lender nor the Borrower from any of their respective obligations towards each other hereunder.

3. Disbursements / Reimbursements

3.1 Tranche 1 (and if applicable, Tranche 3) shall be disbursed in credit portions directly to the Borrower or, as the case may be, the Exporter to such account and to such financial institution as specified by the Borrower or, as the case may be, the Exporter to the Facility Agent.

The Borrower hereby irrevocably agrees that - under Clause 3.2.b) below - only the Exporter shall have the exclusive right to request payments under Tranche 1 (and if applicable, Tranche 3) and that such direct payments to the Exporter will constitute disbursements of Tranche 1 (and if applicable, Tranche 3) to the Borrower under this Credit Agreement.

3.2 a) In the event that prior to or after fulfilment of the conditions precedent to disbursements / reimbursements under the Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, payments are made by the Borrower to the Exporter in the amount or amounts of the respective Partial Contract Value (or Partial Additional Contract Value) out of funds other than out of this Credit Agreement in and towards satisfaction and fulfilment of sums due to the Exporter resulting from the Export Contract, then reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made by the Lenders through the Facility Agent against presentation by the Borrower to the Facility Agent of a certificate as per Annex 1a or 1d hereto in an amount or amounts equal to the aggregate principal amount or amounts of such payments in the maximum amount of the respective Partial Contract Value (or Partial Additional Contract Value) to the Borrower to such account as specified by the Borrower to the Facility Agent.

The Borrower and the Lenders acknowledge and agree to the Exporter's intent to provide the Facility Agent, upon any delivery having been made/service having been rendered under the Export Contract for which the Borrower shall make direct payment to the Exporter out of other funds than of this Credit Agreement before being reimbursed in accordance with this Clause 3.2.a), with copies of the respective delivery documents or invoice, as the case may be. It is the common understanding of the parties hereto that the dispatch of such copies to the Facility Agent shall be for information purposes only; therefore shall neither the failure of the Exporter to send such copies prevent the Lenders in any way from making reimbursements, nor shall the delivery of such copies oblige the Lenders to make reimbursements under this Clause 3.2.a), in particular not in case of any of the conditions precedent for disbursement / reimbursement not being fulfilled.

b) With effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, Tranche 1 (and if applicable, Tranche 3) shall be disbursed directly to the Exporter on a pro rata basis against deliveries made/services rendered in an amount equal to 85% of the value of such deliveries/services only upon presentation by the Exporter to the Facility Agent of a certificate as per Annex 1b hereof and of the following documents:

In case of equipment deliveries

- a copy of the commercial invoice issued by the Exporter;
- a copy of the international waybill relating to such equipment.

In case of licenses

- a copy of the commercial invoice issued by the Exporter;
- a copy of the acceptance certificate, signed by the Borrower and the Exporter.

The Facility Agent shall accept and make disbursements against the aforementioned documents as they are being presented to it without any obligation of examination thereof; in particular the Facility Agent shall not be obliged to verify whether or not any documents delivered to it under this Clause 3.2.b) are in compliance with the Uniform Customs and Practices for Documentary Credits, 1993 Revision, ICC Publication No. 500.

- 3.3 Disbursements / reimbursements under Tranche 1 (and if applicable, Tranche 3) as per Clause 3.2 shall be made in minimum amounts of USD 1,000,000.00 provided, however, that, in the event that 85% of the value of any documents presented to the Facility Agent during a calendar month for disbursements under Tranche 1 (and if applicable, Tranche 3) or the amount mentioned in a reimbursement certificate as per Annex 1a or 1d, as the case may be, is less than the aforementioned minimum amount, disbursements or reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made at the end of the relevant calendar month in one amount equal to 85% of the aggregate value of all documents or equal to the aggregate value of all certificates, as the case may be, received by the Lenders during that month in relation to which disbursement or reimbursement under Tranche 1 (and if applicable, Tranche 3) has not previously been made.
- 3.4 Disbursement under Tranche 2 (and if applicable, Tranche 4) for the financing of up to 85% of the Insurance Premium (or as the case may be, the Additional Insurance Premium) shall in either event, whether the Insurance Premium has become due and payable prior to or after the fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent, acting on behalf of the Lenders, and provided that the Borrower has paid the total amount of the Insurance Premium (or the Additional Insurance Premium) to the Facility Agent as per Clause 11.2 hereof, be made without any request or action by the Borrower upon fulfilment of the conditions precedent to disbursements / reimbursements or waiver thereof by the Lenders through the Facility Agent to the Borrower to such account as will be specified by the Borrower to the Facility Agent.
- 3.5 Each disbursement or reimbursement of the Credits under this Credit Agreement shall be made at the latest on the 5th Banking Day after all conditions precedent applicable to such disbursement or reimbursement pursuant to Clause 4 hereof have been fulfilled or waived, as the case may be, and provided that the Lenders through the Facility Agent have not exercised any of their rights under Clause 12 hereof.
- 3.6 Unless otherwise instructed by Hermes, the Lenders may (but are not obliged to do so) refuse to disburse the Credits or any portion thereof after the due date of the first repayment instalment laid down in Clause 8 hereof. The Credits will then be reduced by the corresponding amount.
- 3.7 The Borrower may - in case of disbursements according to Clause 3.2.b) - only waive disbursement of the Credits, in full or in part, with the prior written consent of the Lenders and the Exporter.

4. Conditions Precedent to Disbursements / Reimbursements

4.1 In relation to Credit A

The first disbursement or reimbursement under Credit A of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a legal opinion to be issued by Freshfields Bruckhaus Deringer, Moscow, Russian Federation as Lenders' counsel confirming the validity and enforceability of this Credit Agreement;
- b) a written confirmation in accordance with Annex 2 hereof certifying that the Export Contract has come into force;
- c) a specimen signatures list as per Annex 4 hereof with the specimen signatures of such persons authorised by the Borrower to act on its behalf in connection with this Credit Agreement and such other documents which, pursuant to mandatory provisions under German or English law, are required by the Lenders and/or the Facility Agent to open and to maintain a credit account on behalf of the Borrower such documents to be specified by the Lenders and/ or the Facility Agent without any undue delay in writing;
- d) a copy of the Export Contract;
- e) an undertaking by the Exporter in favour of the Lenders with regard to certain risks and obligations not covered by the Insurance Agreement as per Clause 11.1 hereof;
- f) a certificate as per Annex 1a, 1b, 1c, 1d or 1e , as the case may be; and
- g) confirmation issued by the Passport Bank certifying its nomination by the Borrower as Passport Bank.
- h) evidence that the down payment referred to in Article D of the Preamble has been made to the Exporter by the Borrower.

In relation to Credit B (if applicable)

The first disbursement or reimbursement under Credit B of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a written confirmation issued by Freshfields Bruckhaus Deringer, Moscow, as Lenders' counsel confirming that the original legal opinion rendered under Clause 4.1.a) above is applicable mutatis mutandis to this Credit Agreement as increased by Credit B, such confirmation stating inter alia that all necessary permits, authorisations and registrations in the Russian Federation have been obtained;
- b) a copy of the Additional Export Contract;
- c) a written confirmation in accordance with Annex 2 hereof certifying that the Additional Export Contract has come into force; and
- d) an undertaking by the Exporter in favour of the Lenders with regard to certain risks and obligations not covered by the Supplemental Insurance Agreement as per Clause 11.1 hereof.

Furthermore, the first disbursement or reimbursement under Credit A or, if applicable Credit B, is conditional upon receipt by the Lenders of the following payments:

- a) payment of the fee as per Clause 6.2 hereof in the case of Credit A and, payment of additional fees pursuant to Clause 6.4 hereof in the case of Credit B;
 - b) payment of 100% of the Insurance Premium and, as the case may be, 100% of the Additional Insurance Premium.
 - a)
 - b)
- 4.3 Moreover, the first disbursement under this Credit Agreement by way of direct disbursement to the Exporter as per Clause 3.2.b) is subject to such disbursement procedure being in full and strict compliance with the Russian laws (in particular but not limited to the Law on Currency Regulation and Currency Control dated 10 December 2003); such compliance to be evidenced to the Lenders in form and substance satisfactory to the Lenders.
- 4.4 Each reimbursement under Tranche 1 or Tranche 3 as per Clause 3.2. a) hereof is furthermore subject to evidence satisfactory to the Lenders that payments were made by the Borrower for deliveries made/services rendered under the Export Contract or the Additional Export Contract, as the case may be, and have been received by the Exporter in amounts corresponding to those mentioned in the relevant reimbursement certificate in form and substance as per Annex 1a or 1d, as the case may be, hereto.
- 4.5 Each disbursement or reimbursement under this Credit Agreement is subject to the condition that the Insurance Agreement and, as the case may be, the Supplemental Insurance Agreement, as per Clause 11.1 is in full force and effect and covers the Lenders' claims under this Credit Agreement.
- 4.6 The Lenders through the Facility Agent shall be entitled to waive any one or more of the aforementioned conditions precedent to disbursements / reimbursements as the Lenders at their sole discretion deem fit, whereupon — unless otherwise notified in writing by the Facility Agent to the Borrower - any such condition precedent shall be deemed to constitute a condition subsequent which the Borrower undertakes to satisfy within such period of time which the Facility Agent may reasonably determine.
- 4.7 The Facility Agent will notify the Borrower and the Exporter without delay in writing of the fulfilment of the conditions precedent to first disbursement or reimbursement and, if applicable, conditions subsequent.
5. Interest Periods, Interest, Increased Costs
- 5.1 For the purpose of periodical calculation of interest and its payment by the Borrower as determined hereinafter, each interest period (the "Interest Period") shall be of a duration of 6 months, provided that:
- a) the first Interest Period in respect of the first disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end 6 months after the date of that disbursement or reimbursement;
 - b) the first Interest Period in respect of any subsequent disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end upon expiry of the then current Interest Period relating to the respective Credit A or Credit B, as the case may be;
 - c) each subsequent Interest Period shall commence on the expiry of the preceding Interest Period;
 - d) any Interest Period which would otherwise extend beyond the due date of any repayment instalment pursuant to Clause 8.1 of this Credit Agreement (any such repayment date hereinafter referred to as a "Repayment Date" or "Additional Repayment Date", if applicable) shall be shortened to the extent necessary to end upon such Repayment Date or Additional

Repayment Date, as the case may be;

- e) any Interest Period which would otherwise end on a day which is not a Banking Day shall end on the next Banking Day unless the result of such extension would be to carry such Interest Period over into another calendar month, in which event such Interest Period shall end on the preceding Banking Day.

- 5.2 a) Subject to Clause 5.2 d) below, for as long as any principal amounts repayable under this Credit Agreement remain outstanding, the Borrower shall pay to the Lenders through the Facility Agent for each Interest Period on each credit amount outstanding interest at a rate per annum to be the aggregate of (i) a margin of 0.425% p.a. (in words zero point four two five per cent per annum) (the "Margin") and (ii) the London Interbank Offered Rate ("LIBOR") relating to such Interest Period (rounded upwards - if necessary - to a full month).

LIBOR shall mean, in relation to such Interest Period, the rate per annum determined by the Facility Agent to be equal to the arithmetic mean (rounded upwards, if necessary, to five decimal places) of the London interbank offered rates for deposits of USD for a period equal to such period at or about 11.00 a.m. (London time) on the second Banking Day for such period as are displayed on the relevant page on the Reuter Monitor Money Rates Services (or such other page as may replace such page on such service for the purpose of displaying London interbank offered rates of leading banks for deposits of USD) or, if on such date the offered rates for the relevant period of fewer banks than two leading banks are so displayed, as quoted to the Facility Agent by each of the Reference Banks at the request of the Facility Agent and calculated on the above mentioned basis.

- b) The Facility Agent shall promptly advise the Borrower by letter or means of telecommunication of the rate of interest determined from time to time as per Clause 5.2.a) hereof and of the amount of interest to be paid at the end of the respective Interest Period, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations hereunder.
- c) The rate of interest as stipulated in Clause 5.2.a) shall always apply without any further request, communication or whatsoever as far and as long as no rate of interest is applicable in accordance with Clause 5.2.d) hereof.
- d) For all amounts outstanding under this Credit Agreement the Lenders shall, upon the Borrower's request, offer a fixed interest rate (the Lenders using their best efforts to ensure that such rate is commercially reasonable) for the whole remaining amount and lifetime of the Credits provided that:
 - (i) the last disbursement or reimbursement under the Credit Agreement has been effected, in the case of either Credit A or Credit B,
 - (ii) the exact Repayment Dates for the repayment instalments of the Credits stand firm in the case of either Credit A or Credit B,
 - (iii) the Borrower's request has been received by the Facility Agent at the latest 15 Banking Days prior to the next Repayment Date and,
 - (iv) corresponding funds in like amounts and for a duration equivalent to the term of the Credits under this Agreement are available to the Lenders.

Such fixed interest rate takes binding effect for the period starting with the next Repayment Date and ending on the last Repayment Date for the Credits, in the case of either Credit A or Credit B, provided that the Facility Agent has received the Borrower's agreement to the fixed rate offered by the Lenders through the Facility Agent within the validity period of such offer.

- e) Interest on any credit amounts outstanding shall accrue from day to day and be calculated on

a per annum basis from the date of each disbursement or reimbursement until the date on which the respective repayment instalment is unconditionally credited on the account specified in or to be indicated by the Facility Agent in accordance with Clause 9.1 hereof. Interest on any credit amounts outstanding shall be paid by the Borrower in arrears on each Interest Payment Date (each "Interest Payment Date" being, (i) in the case of an interest rate applicable as per Clause 5.2 a), the last day of any and each Interest Period; and (ii) in case of a fixed interest rate applicable as per Clause 5.2 d) hereof each Repayment Date).

- 5.3 Subject to Clause 5.5 (Exceptions), if by reason of any change occurring after the date of this Credit Agreement in any law, regulation, treaty or official directive (whether or not having the force of law) or the interpretation or application thereof (including but not limited to any reserve, deposit or similar requirements) and for compliance by the Lenders and/or the Facility Agent with any legally binding requirement of any central bank or other governmental or monetary authority arising after the date of this Credit Agreement any of the Lenders incur any Increased Costs (as defined hereinafter), then, in any such case, the Borrower shall pay to the Facility Agent for account of the Lenders within thirty days of a demand by the Facility Agent such amounts of the Increased Costs as the Lenders through the Facility Agent shall specify to be necessary to compensate the Lenders for such increase or such reduction.

In this Agreement "Increased Costs" means:

- (i) a reduction in the rate of return from the Credits or on a Lender's overall capital;
- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under the Credits,

which is incurred or suffered by a Lender to the extent that it is attributable to that Lender having entered into this Credit Agreement or funding or performing its obligations under it.

- 5.4. A Lender intending to make a claim pursuant to Clause 5.3 (Increased Costs) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower.

Each Lender shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs and the circumstances giving rise to the claim.

- 5.5 Clause 5.3 (Increased Costs) does not apply to the extent any Increased Cost is:

- (i) compensated for under another Clause or would have been but for an exception to that Clause;
- (ii) a tax, levy, duty, charge or fee of whatever nature on the overall net income of a Lender or attributable to any deduction or withholding for or on account of any tax, Levy, duty, charge or fee of whatever nature required by law to be made by the Borrower (provided that nothing in this sub-clause 5.5 (ii) reduces the Borrower's Liability to make any payment on account of any tax, levy, duty, charge or fee required pursuant to Clause 10); or
- (iii) attributable to a Lender being grossly negligent or wilfully failing to comply with any law or regulation or official administration order or court decision.

6. Fees

- 6.1 From the date of this Credit Agreement until disbursement of Credit A in full, the Borrower shall pay to the Lenders through the Facility Agent a commitment fee at a rate of 0.20% p.a. (in words: zero point two per cent per annum) calculated on a daily basis on such portion of the maximum

amount of Credit A not yet disbursed at any time. The commitment fee is payable pro rata in arrears (i) prior to the first disbursement or reimbursement on June 30 and December 30 of each year; and (ii) with effect from the first disbursement or reimbursement on each Interest Payment Date.

- 6.2 The Borrower will pay to the Lenders (in their capacity as mandated lead arrangers) through the Facility Agent an arrangement fee of 0.25% flat (in words: zero point two five per cent flat) calculated on the maximum amount of Credit A mentioned in Clause 2.1 hereof.
The arrangement fee is due prior to the first disbursement or reimbursement under the Credit Agreement, at the latest however, within 30 days after the date of this Credit Agreement.
- 6.3 From the date of this Credit Agreement until all monies owing by the Borrower are fully repaid to the Lenders, the Borrower shall pay to the Facility Agent an agency fee of USD 10,000 per annum on the date of signature of this Credit Agreement and annually thereafter on the anniversary date of this Credit Agreement.
- 6.4 Clauses 6.1 and 6.2 shall apply mutatis mutandis in case of Credit B being made available by the Lenders to the Borrower whereas calculation of the additional commitment fee shall start on the date on which the Lenders will have approved the granting of Credit B to the Borrower in writing; the additional arrangement fee shall be paid within 30 days after the date of such approval, at the latest, however, prior to disbursement or reimbursement under Credit B.

7. Calculation of Periods

For the purpose of calculating interest, commitment fee and other payment obligations based on periods of time, a year will be calculated on the basis of the actual number of days elapsed and a year of 360 days.

8. Repayment and Prepayment

8.1 Credit A

The credit amounts disbursed under Credit A are to be repaid in 17 equal and consecutive semi-annual repayment instalments; the first of which will be due on the earlier of (i) the date falling 6 months after the date of the mean-weighted acceptance of equipment and software to be evidenced by a certificate in accordance with Annex 3a hereof; and (ii) 30 September 2005. Credit amounts disbursed after the first Repayment Date under Credit A shall be repaid in equal amounts on the remaining Repayment Dates; the repayment instalments which then have not yet become due will be increased accordingly and the Facility Agent shall promptly, upon its drawing up thereof however, at the latest 10 Business Days prior to the next Repayment Date, deliver an updated repayment schedule to the Borrower showing the amounts of repayment instalments due on each subsequent Repayment Date, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations under this Credit Agreement.

Credit B

If applicable, the credit amounts disbursed under Credit B will be repaid in 17 equal and consecutive semi-annual repayment instalments; the first of which will, depending on the respective Hermes approval, either be due on the earlier of (i) the date falling 6 months after the date of the mean-weighted acceptance of equipment and software relating to the deliveries made/services rendered under the Additional Export Contract, to be evidenced by a certificate in accordance with Annex 3b hereof, or (ii) a certain latest date still to be agreed upon prior to the first disbursement under Credit B, subject to Hermes approval, in each such case as advised to the Borrower by the Facility Agent. Credit amounts disbursed after the first Additional Repayment Date under Credit B shall be repaid in equal amounts on the remaining Additional Repayment Dates; the repayment instalments which then have not yet become due will be increased

accordingly and the Facility Agent shall promptly, upon its drawing up thereof, however, at the latest 10 Business Days prior to the next Repayment Date, deliver an updated repayment schedule to the Borrower showing the amounts of repayment due on each subsequent Additional Repayment Date, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations under this Credit Agreement.

8.2 Where the interest rate defined in Clause 5.2 a) applies, the Borrower shall be entitled upon 30 days' prior notice to the Facility Agent to prepay on any Interest Payment Date, in full or in part, any credit amounts outstanding together with interest accrued thereon and any other amounts then due under the Credit Agreement. Any such notice of the Borrower shall be irrevocable and binding and obliges the Borrower to repay the credit amounts in accordance with its notice of prepayment. In case of partial prepayments, any partial amount repaid may be applied by the Facility Agent in the inverse order of their maturities.

Any amount prepaid in accordance with this Clause 8.2 may not be reborrowed.

8.3 Where the interest rate in Clause 5.2 d) applies, prepayment of any amounts not yet due according to this Credit Agreement is not permitted.

8.4 Prior to the first Repayment Date the Facility Agent shall furnish the Borrower with a repayment schedule which sets out the Repayment Dates and the amount of repayment instalments to be paid on each such Repayment Date or Additional Repayment Date, if applicable, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its obligations hereunder. In case of the granting of Credit B and if a repayment schedule in relation to Credit A has already been delivered at such time, the Lenders shall furnish the Borrower with a revised repayment schedule or an additional repayment schedule, as the case may be. All other stipulations of the preceding sentence shall apply mutatis mutandis to such revised or additional schedule.

9. Payments

9.1 All payments to be made by the Borrower to the Lenders through the Facility Agent under this Credit Agreement shall be made in USD without any deduction not later than 10.00 a.m. London time on the respective due date at the Facility Agent's free disposal to the account of the Facility Agent held with HSBC Bank USA, New York, SWIFT MRMDUS33 account number 000-023868, in favour of HSBC Bank plc London, SWIFT MIDLGB22, account number 36677449 in the name of Project and Export Finance, quoting reference 53M/FC1046 or such other account with such other financial institution as notified by the Facility Agent to the Borrower.

9.2 The Borrower shall not be entitled to exercise any right of retention or to set off any counterclaims against claims arising from this Credit Agreement against any Lender unless such counterclaims exist against the Lender that the Borrower exercises the right of retention or set off against, and such counterclaims have been accepted by that Lender in writing, or have otherwise been adopted or consistently relied upon.

9.3 If the Facility Agent receives a payment insufficient to discharge all the amounts then due and payable by the Borrower under this Credit Agreement, the Facility Agent on behalf of the Lenders shall, notwithstanding any converse instruction given by the Borrower, apply incoming payments in the following order:

- (i) firstly, in or towards any costs and expenses due and payable hereunder;
- (ii) secondly, in or towards payment of any fees due and payable hereunder;
- (iii) thirdly, in or towards payment of any default interest and/ or indemnification then due and payable as provided for in Clauses 9.4 and 9.5;
- (iv) fourthly, in or towards payment of any contractual interest due and payable hereunder;
- (v) fifthly, in or towards repayment of any principal amount due and payable hereunder;
- (vi) sixthly, in or towards payment of any other amount (including any indemnification other than

such as under Clause 9.5) due and payable hereunder.

- 9.4 The Lenders through the Facility Agent shall be entitled to demand on repayment instalments overdue default interest at a rate which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time, each calculated from the due date until receipt of payment according to Clause 9.1 hereof.
- 9.5 The Lenders through the Facility Agent shall be entitled to demand on amounts overdue other than repayment instalments, a lump sum indemnification which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time calculated from the due date until receipt of payment according to Clause 9.1 hereof.
- 9.6 All payments owed by the Borrower as per Clauses 9.4 and 9.5 shall be made immediately upon the Facility Agent's first demand.
- 9.7 If a due date on which a payment of the Borrower must have been received at the free disposal of the Facility Agent is not a Banking Day, the next succeeding Banking Day shall be the due date, unless such Banking Day falls into a new calendar month in which event the due date shall be the preceding Banking Day. The obligations of the Borrower to pay interest and fees shall accrue accordingly.

10. Taxes, Levies, Duties and Other Costs

10.1 Definitions

a) In this Credit Agreement

“Protected Party” means a Lender which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under this Credit Agreement.

“Qualifying Lender” means a Lender which is situated for tax purposes in (i) the Russian Federation, (ii) in a Tax Treaty Jurisdiction or (iii) in the United Kingdom or the Federal Republic of Germany.

“Tax” means any tax, levy, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Tax Credit” means a credit against, relief or remission for, or repayment of any Tax.

“Tax Deduction” means a deduction or withholding for or on account of Tax from a payment under this Credit Agreement.

“Tax Payment” means an increased payment made by the Borrower to a Lender under Clause 10.2 or a payment under Clause 10.3.

“Tax Treaty Jurisdiction” means a jurisdiction which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian Federation has succeeded) which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction.

- b) Unless a contrary indication appears, in this Clause 10 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

10.2 Tax Gross up

- a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender, it shall notify the Borrower.
- c) Subject to paragraph d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower to the Lenders shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- d) The Borrower is not required to make an increased payment to a Lender under paragraph c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to that Lender without a Tax Deduction if that Lender was a Qualifying Lender, but on that date that Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became a Lender under the Credit Agreement in (or in the interpretation, administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).
- e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in such amount as required by law.
- f) The Borrower shall pay to the relevant taxation or other authorities within the period for payment permitted by applicable law the full amount of the deduction or withholding (including but without prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any additional amount paid pursuant to this sub-clause).
- g) Promptly upon making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Facility Agent for a Lender entitled to the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10.3 Tax Indemnity

- a) The Borrower shall (within three Business Days of demand by the Facility Agent) pay to a Protected Party through the Facility Agent an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of this Credit Agreement.
- b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Lender:
 - (A) under the law of the jurisdiction in which that Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Lender is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Lender's facility office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Lender; or

(ii) to the extent a loss, liability or cost:

(C) is compensated for by an increased payment under Clause 10.2; or

(D) would have been compensated for by an increased payment under Clause 10.2 but was not so compensated solely because one of the exclusions in paragraph d) of Clause 10.2 applied.

c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.

d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 10.3, notify the Facility Agent.

10.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Lender determines that:

(a) A Tax Credit is attributable to that Tax Payment; and

(b) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall pay through the Facility Agent promptly an amount to the Borrower which that Lender determines will leave the Lender (after that payment) in the same after-tax position as it would have been in had the Tax Payment not been made by the Borrower.

However, if the relevant Lender should be obliged by any law, regulation or court or any other official decision to repay any Tax Credit obtained by such Lender and paid to the Borrower pursuant to the preceding paragraph, or if any such Tax Credit should otherwise be officially revoked, the Borrower shall promptly upon demand of such Lender and against reasonable evidence of such repayment obligation or revocation, as the case may be, refund the respective Lender through the Facility Agent of such amount.

10.5 Without prejudice to the Borrower's obligations/the Lenders' rights according to Clause 10.2 and 10.3, in the event of withholding taxes being imposed in the Russian Federation on payments due under this Credit Agreement that are eligible for exemption and provided that the Borrower and/or the Lenders can claim such exemption with the result that they are released from any obligation to pay such taxes, the Borrower hereby undertakes to apply with the competent authorities in the Russian Federation to be exempted and released from such taxes and to provide the Facility Agent with a tax exemption certificate or any other evidence of such tax exemption, all in form and substance as reasonably may be required by the Lenders through the Facility Agent. In turn, in order to enjoy the benefits of an applicable convention on avoidance of double taxation each Lender undertakes to the extent reasonably feasible to it to submit to the Borrower a certificate of its residence in the form and in the manner required by Russian Law, provided that any expenses incurred by a Lender in doing so shall be borne by the Borrower. The form of the certificate as well as its main items shall be advised by the Borrower to the Facility Agent reasonably in advance.

10.6 Without prejudice to the Lenders' rights under this Credit Agreement, in particular under this Clause 10, the Borrower shall pay to the Lenders through the Facility Agent upon demand (i) any

stamp duties, registration fees and similar taxes and charges in connection with this Credit Agreement and (ii) all legal fees (including VAT) and out-of-pocket expenses incurred by the Lenders and/or the Facility Agent in connection with the negotiation, preparation, documentation and execution of this Credit Agreement provided that all such fees and expenses shall not exceed USD 15,000.00 (plus VAT and disbursements, plus costs for required translation of any of the finance documents related to this Credit Agreement into the Russian language) and (iii) any costs, including lawyer's fees and taxes arising thereon, in connection with the preservation and enforcement of the Lenders' rights under this Credit Agreement.

11. Guarantee of the Federal Republic of Germany for tied Buyer's Credits

11.1 The Hermes Agent on behalf of the Lenders has applied for insurance cover of the Lenders' claims arising from this Credit Agreement by the Federal Republic of Germany, represented by Hermes by means of an insurance agreement (the "Insurance Agreement"). Credit A will be made available on the basis of such Insurance Agreement and the terms and conditions governing it. In the event that additional insurance cover is provided by Hermes for the purposes of financing being made available for Credit B hereunder, then Credit B will be made available on the basis of such supplemental insurance ("Supplemental Insurance Agreement") and the terms and conditions governing it. Lenders are entitled to give information on the Credit Agreement and the transactions contemplated thereby to the competent authorities of the Federal Republic of Germany and the European Union and to allow such authorities perusal of all records that may be connected with this Credit Agreement and to furnish them with copies thereof.

11.2 The Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the aggregate amount of premiums and charges (the "Insurance Premium") payable by the Lenders through the Facility Agent to Hermes under the Insurance Agreement for insurance cover of their payment claims arising from Credit A of this Credit Agreement.

The Insurance Premium shall be paid by the Borrower immediately upon written demand by the Facility Agent in accordance with Annex 1c or Annex 1e, as the case may be, provided that the insurance premium is payable (and is either already due or will become due shortly) by the Lenders to Hermes under the Insurance Agreement.

11.3 In the event that additional financing in the form of Credit B is made available to the Borrower, the Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the additional amount of premiums and charges (the "Additional Insurance Premium") payable by the Lenders through the Facility Agent to Hermes under the Supplemental Insurance Agreement for additional insurance cover of their payment claims arising from Credit B of this Credit Agreement. The second paragraph of Clause 11.2 shall apply mutatis mutandis hereto.

11.4 Prior to the first Repayment Date under this Credit Agreement or - in case of disbursements or reimbursements after such date - upon disbursement in full of the Credits, the Facility Agent will recalculate the amount of Insurance Premium (or as applicable, the amount of Additional Insurance Premium) payable to Hermes and will provide the Borrower with reasonable evidence of the correctness of such recalculation if the Insurance Premium (or as applicable, the Additional Insurance Premium) payable for cover with respect to this Credit Agreement does not equal the aggregate amounts which the Borrower has paid to the Facility Agent as per Clause 11.2 or, as the case may be, Clause 11.3 hereof towards reimbursement against such Insurance Premium (or as applicable the Additional Insurance Premium).

If the aggregate amount reimbursed by the Borrower is more than the respective Insurance Premium (or if applicable, the Additional Insurance Premium), the Lenders through the Facility Agent will forthwith refund the excess amount to the Borrower. If the aggregate amount paid by the Borrower towards reimbursement against the respective Insurance Premium (or if applicable, the Additional Insurance Premium) was less than the Insurance Premium (or if applicable, the Additional Insurance Premium) payable by the Lenders, the Borrower undertakes upon request of

the Facility Agent within 30 calendar days to pay to the Facility Agent the balance in favour of the Lenders.

12. Suspension of Disbursement, Payments Immediately Due (Events of Default)

12.1 The Lenders acting through the Facility Agent shall be entitled to suspend each and/or any future disbursement of the Credits in whole or in part, and/or to terminate this Credit Agreement, and/or to demand immediate repayment of all credit amounts outstanding, as well as the payment of all interest and fees accrued thereon, any charges and other claims incidental thereto, if:

- a) the Borrower fails to fulfil any payment obligation whether in respect of principal, interest or any other amount under this Credit Agreement when due and payable unless
 - (i) its failure to pay is caused by administrative or technical error; and
 - (ii) payment is made within three Banking Days of the due date;or
- b) the Borrower breaches or fails to fulfil any other obligation under this Credit Agreement and in case of any such breach or failure capable of being remedied, such failure or breach is not remedied within 10 Banking Days after the Facility Agent has notified the Borrower in writing of such failure or breach;or
- c) any representation, warranty or statement in this Credit Agreement or any other document (including the legal opinion rendered as per Clause 4 hereof) is or proves to be or to have been incorrect or untrue in any material respect when made or deemed to be made at any time during the term of this Credit Agreement and in case that such incorrectness is capable of being remedied - whereas the determination of such capability shall be upon the sole discretion of the Lenders - such incorrectness is not cured within 15 Banking Days after the Facility Agent has notified the Borrower in writing of such incorrectness;or
- d) the Borrower shall fail to pay when due or within any applicable period of grace any indebtedness owed to any of the Lenders or to any other creditor, provided, however, that in relation to any such indebtedness owed by the Borrower to any creditor other than any of the Lenders (including any of their Affiliates) such failure by the Borrower shall not constitute an event of default under this sub-clause if (i) the overdue amounts in relation to the Borrower in aggregate do not exceed USD 10,000,000.00 or the equivalent thereof in any other currency, or (ii) in the event of any such failure by the Borrower exceeding the aforementioned amount any such default is remedied (including by waiver or amendment) within 15 calendar days after the due date of the respective payment obligation or after lapse of any applicable period of grace unless the respective creditor accelerates the relevant indebtedness before;or
- e) at any time it shall become unlawful for the Borrower to perform any or all of its obligations under this Credit Agreement (including, without limitation, any governmental or other consent, licence or authorisation required to make this Credit Agreement legal, valid, binding and enforceable, or required at any time to enable the Borrower to perform its obligations under this Credit Agreement, ceasing to be in full force and effect);or
- f) any material provision of this Credit Agreement is or becomes invalid or unenforceable;

or

- g) the Borrower shall enter into voluntary suspension of payments, bankruptcy, liquidation or dissolution, or shall become insolvent, or a receiver or liquidator shall be appointed on all or any material part of the undertaking or assets of the Borrower or proceedings are commenced by or against the Borrower under any law or regulation providing for any reorganisation, arrangement, readjustment of debts, dissolution or liquidation or any act shall be done or event shall occur which under the laws of the relevant jurisdiction has a substantially similar effect to any of the foregoing act or event, provided that an event of default will not occur under this sub-clause g) in respect of any petition or application being initiated or commenced by any person other than the Borrower if the petition or application is - in the sole discretion of the Lenders - frivolous or vexatious and is withdrawn or rejected within 30 calendar days from the date of such application and before a court order for the commencement of any such procedure has been made;

or

- h) the Borrower admits its inability to meet its payment obligations to any of the Lenders or to any other creditor or to convert the funds necessary to effect such payments into the currency payable under agreements with parties domiciled outside of its country or to transfer such payments, or the Borrower admits - towards any of the Lenders - its unwillingness with regard to any of the aforementioned actions;

or

- i) any material adverse change shall occur in the financial condition or operations, assets, prospects, business or the legal status of the Borrower such that it is reasonably likely that the Borrower may not, or will be unable to perform or observe its obligations under this Credit Agreement,

provided, however, that in case of the occurrence of any of the events as stipulated in sub-clauses a), b), c) and d) of this Clause 12.1, for so long as such events are continuing the Lenders through the Facility Agent shall be entitled to suspend disbursements / reimbursements under this Credit Agreement prior to the expiry of the grace period for remedy of the relevant events of default.

- 12.2 Insofar as any statements made by the Facility Agent according to Clause 12.1 are sent by airmail (with a copy by fax), these statements shall be deemed to have been received not later than on the 10th Banking Day after their dispatch. If such statements are made by means of telecommunication, the day following their dispatch shall be deemed as the date of receipt.

13. Representations and Warranties

The Borrower hereby represents and warrants to the Lenders that

- a) the Borrower is a corporation duly incorporated under the laws of the Russian Federation, validly existing and in good standing;
- b) the Borrower has the power to own its assets and carry on its business as it is being conducted;
- c) the Borrower is not entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in the Russian Federation in relation to this Credit Agreement;
- d) the Borrower has full power and legal right to execute, deliver and to perform this Credit Agreement;

- e) the execution, delivery and performance of this Credit Agreement will not violate any provisions of, and have duly and validly been authorised under, the laws, regulations, orders and decrees of the Russia Federation or any other competent Russian authority and all consents, licences, approvals, authorisations and instrumentalities of, and registrations and/or declarations with any authority within the Russian Federation required in connection with the valid execution, delivery, performance or enforceability of this Credit Agreement (including without limitation the obtaining and transfer in USD of all amounts due under this Credit Agreement) have been obtained and made and are in full force and effect;
- f) each action necessary under the statutes of the Borrower or under any other agreement or instrument binding on the Borrower to authorise the execution, delivery and/or performance of this Credit Agreement has been duly taken and the execution, delivery and performance of this Credit Agreement will not conflict with, or constitute a breach of the statutes of the Borrower or any such agreement or instrument binding upon the Borrower;
- g) the Borrower is not in default under any agreement or instrument constituting present or future payment obligations as debtor or guarantor;
- h) other than the UMC Litigation no litigation, administration or insolvency proceedings are pending or, to the knowledge of the Borrower are threatened, which adversely determined, would reasonably be expected to have a material adverse effect on the assets or financial condition of the Borrower or on its right or ability to perform its obligations hereunder or would affect the legality, validity or enforceability of this Credit Agreement; and
- i) all its payment obligations in connection with this Credit Agreement rank at least *pari passu* in point of preference and security with all other unsecured and subordinated existing and future indebtedness owed to any creditor other than the Lenders, except for any preference being due to mandatory law.

The representations and warranties set out in this Clause 13 shall be deemed to be repeated by the Borrower, without any notification or other action by the Borrower, on the first day of each Interest Period *mutatis mutandis* in relation to the facts and circumstances then existing.

14. Financial Statements, Information and Undertakings

Until such date as all obligations incurred under this Credit Agreement have been fulfilled in full, the Borrower shall:

- a) furnish the Facility Agent within 6 months from the end of its financial year with audited annual financial statements (including profit and loss accounts and explanatory notes) prepared in accordance with US GAAP (US Generally Accepted Accounting Principles, Standards and Practices) and provide the Facility Agent with such additional financial information as the Facility Agent may from time to time reasonably request. In the event that completion and adoption of the financial statements should be delayed, the Borrower shall furnish the Facility Agent with provisional balance sheet figures within 6 months after the end of its financial year;
- b) inform the Facility Agent without delay of the occurrence of any of the events mentioned in Clause 12 hereof;
- c) only with the prior written consent of the Lenders agree upon any modification and/or amendment to the Export Contract or, as the case may be, the Additional Export Contract, which represents a material change to the Export Contract or Additional Export Contract, including but not limited to changes in the price/currency, terms of payment, country of origin, delivery and/or installation periods etc.;

- d) obtain and keep in full force all authorisations, licenses, approvals and permits (governmental or otherwise) which are required for the validity and enforceability of this Credit Agreement;
- e) comply with all applicable laws, rules, regulations and orders including all environmental laws and all applicable restrictions imposed by all governmental authorities (including but not limited to the central bank of the Russian Federation) and do all such acts and things which are required thereunder, if failure so to comply will or in the reasonable opinion of the Lenders may, materially impair the ability of the Borrower to perform its obligations, whether in respect of any payment of principal, interest, fees, costs or expenses or otherwise, under this Credit Agreement in strict compliance with its terms;
- f) procure that no substantial change is made to the general nature or scope of its business from that carried out on the date of this Credit Agreement and forthwith inform the Facility Agent of any circumstances which might result in such change provided that the Borrower may amalgamate, merge, demerge or consolidate with any Affiliate as part of any corporate restructuring unless any such action would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;
- g) immediately upon the Borrower's knowledge or awareness thereof inform the Facility Agent of any forthcoming amalgamation, demerger, merger, consolidation or corporate reconstruction of the Borrower;
- h) ensure that neither in a single transaction nor in a series of transactions, whether related or not, all or any substantial part of its assets are sold, transferred, granted or leased or otherwise disposed of unless such sale, transfer, grant, lease or disposal is:
 - (i) made in the ordinary course of trading of the disposing entity;
 - (ii) of assets in the exchange for other assets comparable or superior as to type, value and quality;
 - (iii) made by the Borrower to any Affiliate of the Borrower unless any such transaction would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;
 - (iv) for cash or cash equivalents for cash or cash equivalents;
 - (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with US GAAP) does not exceed 25% of the Borrower's Total Assets in any financial year of the Borrower and provided that at all times the disposal of such assets will be made for full consideration and will not lead to any material adverse change which would fall within the scope of Clause 12.1 i). At the request of the Facility Agent (any such request to be made no more than once per calendar quarter, unless an Event of Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with US GAAP); or
 - (vi) involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not the Borrower or any of its Subsidiaries.

When calculating the Borrower's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available, the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by,

and reasonably satisfactory to, the Facility Agent.

- i) do all such things as are necessary to maintain its corporate existence and ensure that it has the right and is duly qualified to conduct its business;
- j) not create or agree to create any mortgage, charge, pledge, lien or other security interest on the whole or any part of its assets to secure any indebtedness owed to any creditor other than the Lenders (for the avoidance of doubt, any suretyship or guarantee shall not be deemed a security for the purposes of this paragraph), unless the Credits shall at the same time be secured equally and rateably therewith to the Lenders' satisfaction other than Permitted Lien (as defined hereinafter)

“Permitted Lien” means:

- (i) any lien on any property or assets of any person existing at the time such person is merged or consolidated with or into the Borrower and not created in contemplation of such event, provided that no such lien shall extend to any other property or assets;
- (ii) any lien existing on any property or assets prior to the acquisition thereof by the Borrower and not created in contemplation of such acquisition, provided that no such lien shall extend to any other property or assets;
- (iii) any lien on any property or assets securing indebtedness of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring or constructing or refurbishing such property or assets, provided that (a) no such lien shall extend to any other property or assets, (b) the aggregate principal amount of all indebtedness secured by liens under this sub-Clause (iii) on such property or assets shall not exceed the lower of (x) the purchase price of such property or assets and (y) the fair market value of such property or assets at the time of acquisition or constructing;
- (iv) any netting or set-off arrangement entered into in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (v) any lien arising by operation of law either (a) in the ordinary course of business; or (b) in respect of taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (vi) any lien on the property or assets of the Borrower securing inter-company indebtedness;
- (vii) any extension, renewal or replacement of any lien described in sub-Clauses (i) to (v) above, provided that (a) such extension, renewal or replacement shall be no more restrictive in any material respect than the original lien, (b) the amount of indebtedness secured by such lien is not increased and (c) if the property, income or assets securing the indebtedness subject to such lien are changed in connection with such refinancing, extension or replacement, the fair market value of the property, income or assets is not increased;
- (viii) any other lien, provided that, immediately after giving effect to such lien, the Borrower's secured indebtedness in the aggregate do not exceed 10% of the book value of the aggregate amount of the Borrower's total assets, determined by reference to its most recent quarterly or, as the case may be, audited annual unconsolidated balance sheet;

(ix) easements, rights-of-way, and any other similar charges and legally binding restrictions or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Borrower or the Business of any Subsidiary of the Borrower, including any encumbrance with respect to an equity interest of any joint venture agreement;

k) ensure that its payment obligations under this Credit Agreement rank at least pari passu with all its other present and future unsecured payment obligations.

15. Assignability

The Borrower may not assign all or any of its rights and claims under this Credit Agreement.

Unless (i) the assignment is to an Affiliate of a Lender or to another Lender or (ii) an Event of Default has occurred, any assignment occurring after the date of this Credit Agreement by any Lender shall require the consent of the Borrower, provided that (x) such consent shall not be unreasonably withheld or delayed; and (y) unless the Borrower has notified the Facility Agent to the contrary within 5 Banking Days of receiving notice of the intended assignment, the Borrower will be deemed to have given consent to that assignment .

Any Lender may also disclose to any person to whom it assigns or intends to assign its rights and obligations hereunder such information about the Borrower and the Credit Agreement, as such Lender shall consider necessary.

16. Statements and Notices

6.1 Any notices or other communications in connection with this Credit Agreement are to be made by letter or by written means of telecommunication, and to be sent to the following addresses:

Borrower:
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Telefax: + 7 095 911 6531

Facility Agent:
(for and on behalf of
the Lenders)
HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

Telefax:+44 207 992 4428 (Attention of: Mr Alan Marshall)

16.2 The Borrower shall provide the Facility Agent with specimen signatures in form and substance as per Annex 4 of those persons who are authorised to act on its behalf.

16.3 Any alteration in the above-mentioned companies' names, addresses and power of representation shall be binding upon the other contracting party only upon receipt by such other party of written notification or documents evidencing such alteration.

16.4 All correspondence between the parties hereto shall be conducted and carried out in the English language. Should the wording of any document be in a language other than English such document shall be accompanied by a translation certified to be true and accurate that is either authorised by the person who produced it or by a sworn translator.

17. Miscellaneous

- 17.1 This Credit Agreement is independent from the Export Contract and, as the case may be, the Additional Export Contract. The Borrower is not allowed to raise and hereby waives any defences or objections emanating from the Export Contract and, if appropriate the Additional Export Contract, and from its legal relationship with the Exporter. In particular, the Borrower's obligation to repay the Credits as well as all other payment obligations under this Credit Agreement are independent from the legality, validity and enforceability of the Export Contract and, as the case may be, the Additional Export Contract or from any non-performance, bad performance and/or default by the Exporter under the Export Contract and, as the case may be, the Additional Export Contract.
- 17.2 In satisfaction of the Lenders' respective obligations under the Money Laundering Act, to record the economical beneficiary of borrowing hereunder, the Borrower hereby confirms that the borrowing of the Credits is made on its own behalf and for its own account.

18. Currency Indemnity

In the event that for the purpose of obtaining judgement in any court of any country or enforcement of any judgement by the Lenders it becomes necessary to convert an amount of the currency due hereunder (the "Agreed Currency"), into an amount of another currency (the "Judgement Currency"), then the amount due hereunder, expressed in the Judgement Currency, shall be determined on the basis of the rate of exchange at which the Facility Agent for account of the Lenders is able to purchase the relevant amount of the Judgement Currency on the Banking Day immediately before the day on which the judgement is given or on such earlier date as may be required by the procedural law of the court in which the judgement is sought (the "Agreed Conversion Date").

In the event of a change in such rate of exchange between the Agreed Conversion Date and the date of actual payment, the Borrower shall pay such additional amounts of the Judgement Currency (or the Lenders through the Facility Agent shall remit to the Borrower amounts of such currency) as may be appropriate to ensure that the amounts of the Judgement Currency paid by the Borrower, when converted at the rate of exchange as defined above prevailing at the date of actual payment, shall produce in total the amount of the Agreed Currency due hereunder together with any premium or costs of exchange payable in connection with the purchase or conversion into the Agreed Currency.

Any such additional amounts due shall be due as a separate debt and shall not be affected by a judgement being obtained for any other sums due under or in respect of this Credit Agreement.

19. Applicable Law, Place of Performance and Jurisdiction

- 19.1 This Credit Agreement, as well as all the rights and obligations arising therefrom, shall be governed by and construed in accordance with the laws of the Federal Republic of Germany.
- 19.2 Save as otherwise stipulated herein, place of performance is Frankfurt am Main, Federal Republic of Germany.
- 19.3 Any legal action or proceeding with regard to this Credit Agreement shall be brought in the District Court (Landgericht) at Frankfurt am Main, Federal Republic of Germany, the Lenders reserving to themselves the right to bring any such legal action or proceeding in any other court of law having or accepting jurisdiction as the Lenders may elect.

Without prejudice to and notwithstanding the above, the parties agree that subject to the option in favour of the Lenders, any dispute controversy or claim arising out of this Credit Agreement or related to its fulfilment, breach, termination, or invalidity shall be settled by three arbitrators under the arbitration rules of the UNCITRAL (United Nations Commission on International Trade Law)

Model Law on International Commercial Arbitration. The arbitrators shall be appointed in accordance with those rules and be qualified to practise as a judge in the Federal Republic of Germany. Place of arbitration shall be at Frankfurt am Main, Federal Republic of Germany. The parties herewith irrevocably express their consent to have the hearing conducted in the English language.

19.4 For any service which may become necessary in connection with proceedings before the courts at Frankfurt/Main, Federal Republic of Germany, the Borrower hereby undertakes to irrevocably designate, appoint and empower, such appointment to be in form and substance as per Annex 5 to this Credit Agreement, Frankfurter Beteiligungs-Treuhand GmbH, Bockenheimer Landstrasse 10, 60323 Frankfurt am Main, Federal Republic of Germany, as its agent for service of process (the "Agent for Service of Process") authorised to receive, for and on behalf of itself, service of process.

In the event that the legal capacity of the Agent for Service of Process to act as provided in this Clause 19.4 should cease for any reason whatsoever, the Borrower hereby undertakes in consultation with the Facility Agent to forthwith designate, appoint and empower another person who is acceptable to the Lenders to act as the Borrower's Agent for Service of Process.

20. General Provisions

20.1 This Credit Agreement shall not be capable of being waived, modified or varied otherwise than by an express waiver, modification or variation in writing. Any delay or failure on the part of the Lenders and/or the Facility Agent in exercising any of their rights under this Credit Agreement shall not be regarded as a waiver of these rights or as acquiescence in any conduct contravening the terms of this Credit Agreement. Exercise of single rights only, or merely partial exercise of any rights shall not preclude the claiming in the future of any rights not yet or only partially exercised.

20.2 In the event of any provisions laid down in this Credit Agreement being or becoming wholly or partially ineffective in law, the other provisions of this Credit Agreement shall remain in force. Any insufficiency thus created shall be filled by a corresponding provision consistent with the spirit and purpose of this Credit Agreement.

20.3 This Agreement shall be executed in the English language.

OJSC Mobile TeleSystems

Moscow,
(place, date)

.....
(legally binding signature(s))

HSBC Bank plc

London,
(place, date)

.....
(legally binding signature(s))

ING BHF-BANK Aktiengesellschaft

Frankfurt am Main,
(place, date)

.....
(legally binding signature(s))

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Certificate for Reimbursement

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000 [as increased by USD.....*]

We hereby confirm to you that we have paid to the Exporter an amount of USD representing the last 85% of the total value of deliveries made/services rendered* by the Exporter under the Export Contract / Additional Export Contract* during the period from(date) to(date).

According to Clause 3.2.a) of the Credit Agreement, the amount of USD..... is thus to be paid to us to our account no. with

.....
(place)(date)

OJSC Mobile TeleSystems

.....
(legally binding signature(s) of the Borrower)

We, the undersigned, herewith confirm having made/rendered* the above captioned deliveries/services* and having received the above-mentioned amount(s). We also confirm having received the 15% down payment associated with the above captioned deliveries/services*.

.....
(place)(date)

Siemens Aktiengesellschaft

.....
(legally binding signature(s) of the Exporter)

** Please delete as appropriate*

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Certificate for Disbursement

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000 [as increased by USD*]

We hereby confirm to you that during the period from(date) to(date) we have made deliveries/rendered services* of under the Export Contract / Additional Export Contract* in the total value of USD and we have presented to you documents in conformity with Clause 3.2.b) of the Credit Agreement.

At present, the amount due to us under the Export Contract / Additional Export Contract* on the basis of the aforementioned deliveries/services amounts to 85% of the deliveries/services.

We confirm having received the 15% down payment associated with the aforementioned deliveries/services*.

According to Clause 3.2.b) of the Credit Agreement, the amount of USD is thus to be paid to us. Please effect payment to us to our account no. with

.....
(place) (date)

Siemens Aktiengesellschaft

.....
(legally binding signature(s) of the Exporter)

* *Please delete as appropriate*

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation
.....

Certificate for Disbursement
for the Insurance Premium

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000 [as increased by USD*]

Dear Sirs,

As per the attached copy of the invoice of Hermes dated the Insurance Premium / Additional Insurance Premium* in the amount of USD was/will become due and payable to Hermes on According to Clause 11.2 / 11.3* of the Credit Agreement, the amount of USD is payable to us/ In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2 please pay to us the Insurance Premium / Additional Insurance Premium* calculated by the Facility Agent to amount to USD..... which will become due and payable to Hermes shortly*.

Please remit the aforementioned amount to SWIFT MRMDUS33, account number 000-023868 held with HSBC Bank USA, New York, in favour of HSBC Bank plc, London, SWIFT MIDLGB22 account number 36677449 in the name of Project and Export Finance quoting ref 53M/FC1046. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

London,

.....
HSBC Bank plc

*** Please delete as appropriate**

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Certificate for Reimbursement
in case of application of the Special Payment Procedure

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000 [as increased by USD*]

We hereby confirm to you that the Exporter made deliveries/rendered services* under the Export Contract / Additional Export Contract* during the period from(date) to(date) in the total amount of USD and that we have instructed the Passport Bank to effect payment of USD to the Exporter representing the last 85% of the total value of such deliveries made/services rendered*.

According to Clause 3.2.a) of the Credit Agreement, the amount of USD..... is thus to be paid to us to our account no. with the Passport Bank.

.....

(place)(date)

OJSC Mobile TeleSystems

.....

(legally binding signature(s) of the Borrower)

** Please delete as appropriate*

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

.....

Certificate for Disbursement for the Insurance Premium
in case of application of the Special Payment Procedure

Credit Agreement dated [.....] in the amount of USD 45,612,500.00

Dear Sirs,

As per the attached copy of the invoice of Hermes dated the Insurance Premium in the amount of USD was/will become due and payable to Hermes on

According to Clause 11.2 of the Credit Agreement, the amount of USD is payable to us/In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2 please pay to us, through the Passport Bank, the Insurance Premium calculated by the Facility Agent to amount to USD..... which will become due and payable to Hermes shortly*.

Please instruct the Passport Bank to remit the aforementioned amount to us in accordance with the terms and conditions of the certain disbursement agreement entered into between you, us and the Passport Bank, and which provides for the Special Payment Procedure. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

London,

.....
HSBC Bank plc

** Please delete as appropriate*



Annex 2

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Confirmation of Coming into Force of the Export Contract* / Additional Export Contract*

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000 [as increased by USD*]

We hereby confirm to you that the Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Siemens Aktiengesellschaft dated 8 June 2004 for USD 83,000,000 has come into force on * / We hereby confirm to you that the Additional Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Siemens Aktiengesellschaft dated [.....] for USD [.....] has come into force on *

..... (place) (date) (place) (date)
Siemens Aktiengesellschaft		OJSC Mobile TeleSystems in the Russian Federation	
..... (legally binding signature(s) of the Exporter)	 (legally binding signature(s) of the Borrower)	

** Please delete as appropriate*

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Confirmation of Mean-weighted Acceptance of Equipment and Software
in relation to the Export Contract

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000.

We hereby confirm to you that in respect of the Export Contract as mentioned in the Preamble of the above-mentioned Credit Agreement the mean-weighted acceptance of equipment and software and for operation in relation to the several operation units (starting point) took place on

.....
(place)

.....
(date)

.....

.....
(legally binding signature(s) of the Exporter)

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Confirmation of Mean-weighted Acceptance of Equipment and Software
in relation to the Additional Export Contract

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000 as increased by USD

We hereby confirm to you that in respect of the Additional Export Contract as mentioned in the Preamble of the above-mentioned Credit Agreement the mean-weighted acceptance of equipment and software in relation to the additional operation units (starting point) took place on

.....
(place)

.....
(date)

.....

.....
(legally binding signature(s) of the Exporter)

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ

United Kingdom

For the attention of: Mr Alan Marshall

Specimen Signature List

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000.

Dear Sirs,

Pursuant to the provisions of the above Credit Agreement we are required to provide you with certified specimen signatures of those persons authorised to act on our behalf in connection with the said Credit Agreement.

Accordingly, we herewith confirm to you that the persons listed hereafter are authorised to act on our behalf in connection with the said Credit Agreement.

A. Persons (if any) authorised to sign singly:

Person	First Name	Surname	Position	Date of Birth	Place of Birth	Nationality
1						
2						
3						

Person	Address	Sort and Number of Identity Card	Identity Card Issuing Authority	Specimen Signature
1				
2				
3				

B. Persons authorised to sign jointly with any person from Group A or B:

Person	First Name	Surname	Position	Date of Birth	Place of Birth	Nationality
1						
2						
3						

Person	Address	Sort and Number of Identity Card	Identity Card Issuing Authority	Specimen Signature
1				
2				
3				

I,(please specify title), hereby certify that the specimen signatures listed above are the authentic signatures of persons authorised to act on the Borrower's behalf in connection with the Credit Agreement in the amount of USD

.....
(place) (date) (legally binding signature of
.....)

I/We,(OOO HSBC Bank (RR), Moscow), hereby certify the authenticity of the above signature of

.....
(place) (date) (OOO HSBC Bank (RR), Moscow)

.....
(legally binding signature(s), *with name(s) and position(s)*)

[on the letterhead of the Borrower]

Frankfurter Beteiligungs - Treuhand GmbH
Bockenheimer Landstrasse 10
D-60323 Frankfurt am Main
Federal Republic of Germany

Credit Agreement dated 1 October 2004 in the amount of USD 75,748,000.

Dear Sirs,

On OJSC Mobile TeleSystems , 4 Marksistskaya Street, Moscow 109147 Russian Federation entered into a Credit Agreement with HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and ING BHF-BANK Aktiengesellschaft, Bockenheimer Landstraße 10, Frankfurt am Main, Federal Republic of Germany. The provisions of the Credit Agreement provide for that we shall appoint an agent of process for the purpose of accepting service of process in the Federal Republic of Germany. We hereby appoint you as our authorised agent of process for that purpose, limited solely to service of process in connection with actions which might arise under the Credit Agreement. We hereby irrevocably authorise you to accept all services of process in connection with those actions in our name and to receive all correspondence, documents and declarations related thereto.

Upon receipt of any process served on you or of any correspondence, document and declaration related thereto, you are hereby instructed to notify us at the above mentioned address unless we notify you in writing of another address. If it is deemed necessary by you to do so in the best of our interest, you are hereby authorised to notify us in your discretion by telex, telefax or telephone of the contents of the process served on you and of correspondence, documents or declarations received by you.

Your liability as our authorised agent of process will be restricted to cases of wilful misconduct and gross negligence. The relationship between you and our company is governed by the laws of the Federal Republic of Germany.

Exclusive place of jurisdiction shall be Frankfurt am Main, Federal Republic of Germany.

Yours sincerely,

(legally binding signature(s) of the Borrower)

Accepted:

Frankfurter Beteiligungs — Treuhand GmbH

(legally binding signature(s))

DOC 17 Header

SUPPLEMENTAL CREDIT AGREEMENT

Dated 12 April 2005

between

OJSC Mobile TeleSystems, Russian Federation

as borrower

and

HSBC Bank plc

and

BHF-BANK Aktiengesellschaft

as arrangers and lenders

HSBC Bank plc

as facility agent

BHF-BANK Aktiengesellschaft

as Hermes agent

INDEX OF CLAUSES AND APPENDICES

<u>Clause No</u>	<u>Heading</u>	<u>Page No</u>
1	Interpretation	2
2	Amendments to the Credit Agreement	2
3	General Provisions	12
4	Continuing Effectiveness of the Credit Agreement	12
	Signature Page	13

SUPPLEMENTAL CREDIT AGREEMENT

This Supplemental Credit Agreement (the "Supplemental Credit Agreement") is made by and between OJSC Mobile TeleSystems, Moscow, Russian Federation (the "Borrower") and HSBC Bank plc, London, United Kingdom and BHF-BANK Aktiengesellschaft (as legal successor of ING BHF-BANK Aktiengesellschaft), Frankfurt am Main, Federal Republic of Germany (each a "Lender" and together the "Lenders") and is a supplement to the Credit Agreement dated 11 October 2004 between the Borrower and the Lenders (the "Credit Agreement").

WHEREAS

- (1) The Exporter and the Borrower have entered into a supplemental export contract dated 3 December 2004 for the supply of additional equipment and software licenses (the "Supplemental Export Contract").
- (2) The Lenders have agreed to lend to the Borrower the additional sum of USD28,286,000.00 to assist the financing of the additional equipment and software licenses as mentioned in Recital (1) above and 85% of the Supplemental Insurance Premium paid or payable by the Lenders through the Facility Agent to Hermes on the terms and conditions hereinafter appearing.

NOW THEREFORE it is hereby agreed by and between the parties hereto as follows:

1. **INTERPRETATION**

- 1.1 Unless otherwise defined in this Supplemental Credit Agreement all expressions defined in the Credit Agreement shall have the same meanings when used herein.
- 1.2 Where the context of this Supplemental Credit Agreement so allows words importing the singular include the plural and vice versa.
- 1.3 Unless otherwise indicated reference to a specified clause recital or appendix shall be construed as reference to that specified clause of or recital or appendix to the Credit Agreement.
- 1.4 Clause and appendix headings are for ease of reference only and do not form part of this Supplemental Credit Agreement.

2. **AMENDMENTS TO THE CREDIT AGREEMENT**

List of Annexes to the Credit Agreement to be amended as follows:

- “2 Confirmation of Coming into Force of the Export Contract / Additional Export Contract / Supplemental Export Contract”
- “3a-3b-3c Confirmation of Mean-weighted Acceptance of Equipment and Software in relation to the Export Contract / in relation to the Additional Export Contract / in relation to the Supplemental Export Contract”

The addition of the following Articles to the Preamble:

- I. The Borrower and the Exporter have also entered into a supplemental contract on 3 December 2004 for the supply of additional equipment (the “Supplemental Export Contract”), the financing of which will provide for additional payments partially being made under the terms of this Credit Agreement.
- J. The total supplemental contract value of further deliveries to be made and services to be rendered under the Supplemental Export Contract amounts to USD 31,000,000 (the “Total Supplemental Contract Value”).
- K. The terms of the Supplemental Export Contract enable deliveries/services to be made/rendered through a further series of purchase orders to be issued between December 2004 to August 2005.
- L. The Total Supplemental Contract Value consists of 15% down payments and a portion of 85% as partial supplemental contract value (the “Partial Supplemental Contract Value”) to be financed hereunder at the option of the Borrower, subject to the agreement of Hermes and the Lenders.

1. Definitions and Interpretations

The addition of the following Definitions and Interpretations:-

Credit C	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 5 and Tranche 6
Partial Supplemental Contract Value	means the part of the Total Supplemental Contract Value as defined in Article L of the Preamble
Second Supplement Insurance Agreement	means the second supplemental agreement as per Clause 11.1
Supplemental Export Contract	means a supplement contract which has been entered into between the Borrower and the Exporter as defined in Article I of the Preamble
Supplemental Insurance Premium	means the premium as defined in Clause 11.4
Supplemental Repayment Date	means the date(s) as defined in Clause 5.1 d)
Total Supplemental Contract Value	means the aggregate price agreed upon in the Supplemental Export Contract for deliveries made and services rendered thereunder as defined in Article J of the Preamble
Tranche 5	means the part of Credit C as defined in Clause 2.2.e) hereof
Tranche 6	means the part of Credit C as defined in Clause 2.2.f) hereof

The amendment to the following Definitions and Interpretations:-

Tranches	means, collectively, Tranche 1, Tranche 2, Tranche 3, Tranche 4, Tranche 5 and Tranche 6 as defined in Clause 2.2
----------	---

The deletion of the following Definition and Interpretation:-

Reference Banks	means the London offices of HSBC Bank plc and ING BHF-Bank Aktiengesellschaft.
-----------------	--

2. Amounts and Purpose of the Credits

2.1 After Credit B before the final paragraph, the addition of Credit C as follows:-

“USD 28,286,000

(in words: twenty eight million two hundred eighty six thousand) (“Credit C”)

The final paragraph of Clause 2.1 to be amended to read as follows:-

“Credit A, Credit B and Credit C shall hereinafter be referred to individually as a “Credit” or collectively as “Credits”.”

2.2 The addition of the word “and” at the end of sub-clause (d) and the addition of the following paragraphs:-

- “e) Tranche 5 in an amount of up to USD 26,350,000.00 (in words: United States Dollars twenty six million three hundred fifty thousand) which shall be available for the financing of the Partial Supplemental Contract Value either (i) still due and payable to the Exporter resulting from deliveries made/services rendered under the Supplemental Export Contract, or (ii) payable to the Borrower resulting from deliveries made/services rendered under the Supplemental Export Contract for which payment has been made directly by the Borrower to the Exporter; and
- f) Tranche 6 in an amount of USD 1,936,000.00 (in words: United States Dollars one million nine hundred thirty six thousand) which shall be available for the financing of up to 85% of the Supplemental Insurance Premium for cover of the Lenders’ payment claims under the Second Supplemental Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to Hermes;”

2.3 In line two, line eight and line twelve after the words “Partial Contract Value”, the addition of the words “or Partial Supplemental Contract Value, as applicable”.

In line nine and line thirteen after the words “Export Contract” the addition of the words “or Supplemental Export Contract respectively”.

In line fourteen after the words “Insurance Premium” the addition of the words “or Second Supplemental Insurance Agreement, as applicable”.

2.4 In relation to HSBC Bank plc’s participation, the addition of Credit C as follows:-

“Credit C

50%, max. USD 14,143,000

(in words: United States Dollars fourteen million one hundred forty three thousand)

In relation to BHF-BANK Aktiengesellschaft’s participation, the addition of Credit C as follows:-

“Credit C

50%, max. USD 14,143,000
(in words: United States Dollars fourteen million one hundred forty three thousand)

2.5 In the first line of this clause the word “Credit” to be amended to read “Credits”.

3. Disbursement / Reimbursement

3.1 In the first paragraph, after the words “(and if applicable, Tranche 3)”, the addition of the words “and Tranche 5”.

In line two and line four of the second paragraph, after the words “(and if applicable, Tranche 3)”, the addition of the words “and Tranche 5”.

3.2 a) In line four and five of the first paragraph, after the words “(or Partial Additional Contract Value), the addition of the words “or Partial Supplemental Contract Value”.

In line seven of the first paragraph, after the words “(and if applicable, Tranche 3)” the addition of the words “and Tranche 5”.

In line eleven of the first paragraph, after the words “(or Partial Additional Contract Value), the addition of the words “or Partial Supplemental Contract Value”.

In line three of the second paragraph, after the words “Export Contract” the addition of the words “, the Additional Export Contract (if agreed) and the Supplemental Export Contract”.

3.2 b) In line three of the first paragraph, after the words “(and if applicable, Tranche 3)” the addition of the words “and Tranche 5”.

3.3 In line one, line four, line seven and line ten, after the words “(and if applicable, Tranche 3)”, the addition of the words “and Tranche 5”.

In line nine, the word “disbursement” to be amended to read “disbursements”.

In line ten, the word “reimbursement” to be amended to read “reimbursements”.

In line ten the word “has” to be amended to read “have”.

3.4 In line one, after the words “(and if applicable, Tranche 4)”, the addition of the words “and Tranche 6”.

In line two, after the words “(or as the case may be, the Additional Insurance Premium)”, the addition of the words “or the Supplemental Insurance Premium”.

In line three, after the words “Insurance Premium”, the addition of the words “(or as the case may be, the Additional Insurance Premium) or the Supplemental Insurance Premium”.

In line six, after the words “(or the Additional Insurance Premium)”, the addition of the words “or the Supplemental Insurance Premium”.

4. Conditions Precedent to Disbursements / Reimbursements

4.1 The addition at the end of this clause of the following Conditions Precedent to Disbursement / Reimbursement in relation to Credit C:-

“In relation to Credit C

The first disbursement under Credit C of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a written confirmation issued by Freshfields Bruckhaus Deringer, Moscow, as Lenders’ counsel confirming that the original legal opinion rendered under Clause 4.1.a) above is applicable mutatis mutandis to this Credit Agreement as increased by Credit C, such confirmation stating inter alia that all necessary permits, authorisations in the Russian Federation have been obtained;
- b) a copy of the Supplemental Export Contract;
- c) a written confirmation in accordance with Annex 2 hereof certifying that the Supplemental Export Contract has come into force;
- d) an undertaking by the Exporter in favour of the Lenders with regards to certain risks and obligations not covered by the Second Supplemental Insurance Agreement;
- e) evidence that the down payment referred to in Article L of the Preamble has been made to the Exporter by the Borrower.

4.2 In line one, after the words “Credit B”, the addition of the words “or Credit C”.

In 4.2 a), after the words “Credit B”, the addition of the words “and payment of the supplemental fees pursuant to Clause 6.5 hereof in case of Credit C”.

In 4.2 b), after the words “Additional Insurance Premium”, the addition of the words “and 100% of the Supplemental Insurance Premium”.

4.4 In line one, after the words “or Tranche 3”, the addition of the words “or Tranche 5”.

In line three, after the words “or the Additional Export Contract”, the addition of the words “or the Supplemental Export Contract”.

4.5 In line two, after the words “Supplemental Insurance Agreement”, the addition of the words “and Second Supplemental Insurance Agreement”.

5. Interest Periods, Interest, Increased Costs

5.1 In 5.1 b) line three, after the words “or Credit B”, the addition of the words “or Credit C”.

In 5.1 d) line three, after the words “Additional Repayment Date”, the addition of the words “or Supplemental Repayment Date”.

In 5.1 d) line five, after the words “Additional Repayment Date”, the addition of the words “or Supplemental Repayment Date”.

5.2 The second paragraph of 5.2 a) to be deleted in its entirety and replaced with the following:-

“LIBOR shall mean, in relation to such Interest Period, the rate per annum determined by the Facility Agent to be equal to the arithmetic mean (rounded upwards, if necessary, to five decimal places) of the London interbank offered rates for deposits of USD for a period equal to such period as are displayed at or about 11.00 a.m. (London time) on the second Banking Day prior to the commencement of such period on the relevant page on the Reuter Monitor Money Rates Services (or such other page as may replace such page on such service for the purpose of displaying London interbank offered rates of leading banks for deposits of USD) or, if no quotation for USD and the relevant period is displayed on the Reuter Monitor Money Rates Services or an alternative service, LIBOR shall mean the rate per annum reasonably determined by the Facility Agent to be equal to the arithmetic mean (rounded upwards, if necessary, to five decimal places) of the rates per annum at which deposits in USD are being offered to the Lenders in the London interbank market for such period at or about 11.00 a.m. (London time) on the second Banking Day prior to the commencement of the respective Interest Period. “

In 5.2 b) line two, after the word “determined”, the addition of the words “, and if requested by the Borrower the method of such determination”.

In 5.2 d) (i) line two, after the words “or Credit B”, the addition of “or Credit C”.

In 5.2 d) (ii) line two, after the words “or Credit B”, the addition of “or Credit C”.

In line three of the final paragraph of Clause 5.2.d), after the words “or Credit B”, the addition of “or Credit C”.

6. Fees

6.5 The addition of a new Clause 6.5 to read as follows:-

“Clause 6.1 and 6.2 shall apply mutatis mutandis to Credit C whereas calculation of the supplemental commitment fee shall start from the date of the Supplemental Credit Agreement; the supplemental arrangement fee shall be paid within 30 days after the date of such Supplement Credit Agreement, at the latest, however, prior to disbursement or reimbursement under Credit C.”

8. Repayment and Prepayment

8.1 The addition of wording relevant to Credit C after the last paragraph as follows:-

“Credit C

The credit amounts disbursed under Credit C are to be repaid in 17 equal and consecutive semi-annual repayment instalments; the first of which will be due on the earlier of (i) the date falling 6 months after the date of the mean-weighted acceptance of equipment and software to be evidenced by a certificate in accordance with Annex 3c hereof; and (ii) 28 February 2006. Credit amounts disbursed after the first Supplemental Repayment Date under Credit C shall be repaid in equal amounts on the remaining Supplemental Repayment Dates; the repayment instalments which have not yet become due will be increased accordingly and the Facility Agent shall promptly, upon its drawing up thereof, however, at the latest 10 Business Days prior to the next Repayment Date, deliver an updated repayment schedule to the Borrower showing the amounts of repayment due on each subsequent Supplemental Repayment Date, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations under this Agreement.

8.4 In line three, after the words “or Additional Repayment Date”, the addition of the words “or Supplemental Repayment Date”.

In line five, after the words “Credit B”, the addition of the words “and Credit C”.

11. Guarantee of the Federal Republic of Germany for tied Buyer’s Credits

11.1 At the end of the first paragraph, the addition of the words “Credit C will also be made available on the basis of insurance cover provided by Hermes which has been applied for by the Hermes Agent on behalf of the Lenders in the form of a second supplemental insurance agreement (“Second Supplemental Insurance Agreement”) and the terms and conditions governing it.”

11.4 The existing Clause 11.4 to be renumbered 11.5 and the addition of a new Clause 11.4 to read as follows:-

“The Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the aggregate amount of supplemental premiums and charges (the “Supplemental Insurance Premium”) payable by the Lenders through the Facility Agent to Hermes under the Second Supplemental Insurance Agreement for insurance cover of their payment claims arising from Credit C of this Credit Agreement. The second paragraph of Clause 11.2 shall apply mutatis mutandis hereto.”

11.5 In line four and six of the first paragraph, after the words “(or as applicable, the Additional Insurance Premium)”, the addition of the words “or Supplemental Insurance Premium”

In line eight of the first paragraph, after the words “Clause 11.3”, the addition of the words “or Clause 11.4”.

In line two, five and six of the second paragraph, after the words “(or if applicable, the Additional Insurance Premium)”, the addition of the words “or Supplemental Insurance Premium”.

14. Financial Statements, Information and Undertakings

14. c) In line two and three, after the words “or Additional Export Contract”, the addition of the words “or Supplemental Export Contract”.

17. Miscellaneous

17.1 In line two, four, seven and nine, after the words “the Additional Export Contract”, the addition of the words “and Supplemental Export Contract”.

Annex 1a The first paragraph to be amended as follows: “ Credit Agreement dated 11 October 2004 in the amount of USD 75,748,000 as increased by USD 36,514,000 and as amended by the Supplemental Credit Agreement dated in the amount of USD 28,286,000”.

In line three of the second paragraph, after the words “Additional Export Contract”, the addition of the words “/ Supplemental Export Contract”.

Annex 1b The first paragraph to be amended as follows: “ Credit Agreement dated 11 October 2004 in the amount of USD 75,748,000 as increased by USD 36,514,000 and as amended by the Supplemental Credit Agreement dated in the amount of USD 28,286,000”.

In line three of the second paragraph, after the words “Additional Export Contract”, the addition of the words “/ Supplemental Export Contract”.

In line one of the third paragraph, after the words “Additional Export Contract”, the addition of the words “/ Supplemental Export Contract”.

Annex 1c The first paragraph to be amended as follows: “ Credit Agreement dated 11 October 2004 in the amount of USD 75,748,000 as increased by USD 36,514,000 and as amended by the Supplemental Credit Agreement dated in the amount of USD 28,286,000”.

In line two of the second paragraph, after the words “Additional Insurance Premium”, the addition of the words “/ Supplemental Insurance Premium”.

In line three of the second paragraph, after “11.3”, the addition of “/ 11.4”.

In line six of the second paragraph, after the words “Additional Insurance Premium”, the addition of the words “/ Supplemental Insurance Premium”.

Annex 1d The first paragraph to be amended as follows: “ Credit Agreement dated 11 October 2004 in the amount of USD 75,748,000 as increased by USD 36,514,000 and as amended by the Supplemental Credit Agreement dated in the amount of USD 28,286,000”.

In line two of the second paragraph, after the words “Additional Export Contract”, the addition of the words “/ Supplemental Export Contract”.

Annex 1e The first paragraph to be amended as follows: “ Credit Agreement dated 11 October 2004 in the amount of USD 75,748,000 as increased by USD 36,514,000 and as amended by the Supplemental Credit Agreement dated in the amount of USD 28,286,000”.

In the first line of the second paragraph, after the words “Insurance Premium”, the addition of the words “/ Additional Insurance Premium / Supplemental Insurance Premium”.

In the first line of the third paragraph, after “11.2”, the addition of “11.3 / 11.4”.

In line three of the third paragraph, after the words “Insurance Premium”, the addition of the words “/ Additional Insurance Premium / Supplemental Insurance Premium”.

Annex 2

In the heading, after the words “Additional Export Contract*”, the addition of the words “/ Supplemental Export Contract*”.

The first paragraph to be amended as follows: “ Credit Agreement dated 11 October 2004 in the amount of USD 75,748,000 as increased by USD 36,514,000 and as amended by the Supplemental Credit Agreement dated _____ in the amount of USD 28,286,000”.

The second paragraph to be amended as follows: “ We hereby confirm to you that the has Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Siemens Aktiengesellschaft dated 8 June 2004 for USD 83,000,000 has come into force on _____.* / We hereby confirm to you that the Additional Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Siemens Aktiengesellschaft dated 25 October 2004 for USD 40,000,000 has come into force on _____.* / We hereby confirm to you that the Supplemental Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Siemens Aktiengesellschaft dated 3 December 2004 for USD 31,000,000 has come into force on _____.*”

The addition of a new annex "Annex 3c" as follows:

Annex 3c
HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Confirmation of Mean-weighted Acceptance of Equipment and Software
in relation to the Supplemental Export Contract

Credit Agreement dated 11 October 2004 in the amount of USD 75,748,000 as increased by USD 36,514,000 and as amended by the Supplemental Credit Agreement dated _____ in the amount of USD 28,286,000 .

We hereby confirm to you that in respect of the Supplemental Export Contract as mentioned in the Preamble of the above-mentioned Credit Agreement the mean-weighted acceptance of equipment and software in relation to the additional operation units (starting point) took place on _____ .

(place) (date)

(legally binding signature(s) of the exporter)

All other terms and conditions of the Credit Agreement shall remain unchanged and in full force and effect.

3. GENERAL PROVISIONS

- 3.1. This Supplemental Credit Agreement shall not be capable of being waived, modified or varied otherwise than by an express waiver, modification or variation in writing. Any delay or failure on the part of the Lenders and/or the Facility Agent in exercising any of their rights under this Supplemental Credit Agreement shall not be regarded as a waiver of these rights or as acquiescence in any conduct contravening the terms of this Supplemental Credit Agreement. Exercise of single rights only, or merely partial exercise of any rights shall not preclude the claiming in the future of any rights not yet or only partially exercised.
- 3.2. In the event of any provisions laid down in this Supplemental Credit Agreement being or becoming wholly or partially ineffective in law, the other provisions of this Supplemental Credit Agreement shall remain in force. Any insufficiency thus created shall be filled by a corresponding provision consistent with the spirit and purpose of this Supplemental Credit Agreement.
- 3.3. Without prejudice to the Lenders' rights under this Supplemental Credit Agreement, the Borrower shall pay to the Lenders through the Facility Agent upon demand (i) any stamp duties, registration fees and similar taxes and charges in connection with this Supplemental Credit Agreement and (ii) all legal fees (including VAT) and out-of-pocket expenses incurred by the Lenders and/or the Facility Agent in connection with the negotiation, preparation, documentation and execution of this Supplemental Credit Agreement provided that all such fees and expenses shall not exceed USD 7,000.00 (plus VAT and disbursements, plus costs for required translation of any of the finance documents related to this Supplemental Credit Agreement into the Russian language) and (iii) any costs, including lawyer's fees and taxes arising thereon, in connection with the preservation and enforcement of the Lenders' rights under this Supplemental Credit Agreement.
- 3.4. This Supplemental Credit Agreement shall be governed and construed in accordance with the laws of the Federal Republic of Germany. Clauses 19.2 to 19.4 of the Credit Agreement shall apply mutatis mutandis to this Supplemental Credit Agreement.
- 3.5. This Supplemental Credit Agreement shall be executed in the English language.

4 CONTINUING EFFECTIVENESS OF THE CREDIT AGREEMENT

Upon signature of this Supplemental Agreement the Credit Agreement and this Supplemental Credit Agreement shall be read and construed as one document and thereafter any reference in the Credit Agreement to "this Agreement" "the Agreement" or "the Credit Agreement" shall be read and construed as a reference to

the Credit Agreement amended by this Supplemental Credit Agreement.

Moscow, _____ (place, date)	OJSC Mobile TeleSystems _____ (legally binding signature(s))
London, _____ (place, date)	HSBC Bank plc _____ (legally binding signature(s))
Moscow, _____ (place, date)	BHF-BANK Aktiengesellschaft _____ (legally binding signature(s))

DOC 18 Header

EXECUTION COPY

Dated 16 November 2005

US\$150,000,000

FACILITY AGREEMENT

for

MOBILE TELESYSTEMS FINANCE S.A.

arranged by

ING BANK N.V.

as Mandated Lead Arranger

with

ING BANK N.V., LONDON BRANCH

acting as Agent

Linklaters CIS

Paveletskaya sq. 2, bld. 2
Moscow 115054

Telephone (7-095) 797 9797
Facsimile (7-095) 797 9798

Ref MK/TP

CONTENTS

<u>CLAUSE</u>	<u>PAGE</u>
SECTION 1 INTERPRETATION	1
1 DEFINITIONS AND INTERPRETATION	1
SECTION 2 THE FACILITY	10
2 THE FACILITY	10
3 PURPOSE	10
4 CONDITIONS OF UTILISATION	10
SECTION 3 UTILISATION	12
5 UTILISATION	12
SECTION 4 REPAYMENT, PREPAYMENT AND CANCELLATION	13
6 REPAYMENT	13
7 PREPAYMENT AND CANCELLATION	13
SECTION 5 COSTS OF UTILISATION	16
8 INTEREST	16
9 INTEREST PERIODS	17
10 CHANGES TO THE CALCULATION OF INTEREST	17
11 ARRANGEMENT FEE	18
SECTION 6 ADDITIONAL PAYMENT OBLIGATIONS	19
12 TAX GROSS-UP AND INDEMNITIES	19

13	INCREASED COSTS	19
14	OTHER INDEMNITIES	19
15	MITIGATION BY THE LENDERS	19
16	COSTS AND EXPENSES	19
SECTION 7 REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT		19
17	REPRESENTATIONS	19
18	INFORMATION UNDERTAKINGS	19
19	FINANCIAL COVENANTS	19
20	GENERAL UNDERTAKINGS	19
21	EVENTS OF DEFAULT	19
SECTION 8 CHANGES TO PARTIES		19
22	CHANGES TO THE LENDERS	19
23	CHANGES TO THE BORROWER	19
SECTION 9 THE FINANCE PARTIES		19
24	ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGER	19
25	CONDUCT OF BUSINESS BY THE FINANCE PARTIES	19
26	SHARING AMONG THE FINANCE PARTIES	19
SECTION 10 ADMINISTRATION		19
27	PAYMENT MECHANICS	19
28	SET-OFF	19

29	NOTICES	19
30	CALCULATIONS AND CERTIFICATES	19
31	PARTIAL INVALIDITY	19
32	REMEDIES AND WAIVERS	19
33	AMENDMENTS AND WAIVERS	19
34	COUNTERPARTS	19
SECTION 11 GOVERNING LAW AND ENFORCEMENT		19
35	GOVERNING LAW	19
36	ARBITRATION	19
37	JURISDICTION	19
SCHEDULE 1 Conditions precedent		19
SCHEDULE 2 Utilisation Request		19
SCHEDULE 3 Mandatory Cost formula		19
SCHEDULE 4 Form of Transfer Certificate		19
SCHEDULE 5 Form of Compliance Certificate		19

THIS AGREEMENT is dated 16 November 2005 and made between:

- (1) **MOBILE TELESYSTEMS FINANCE S.A.**, a *société anonyme* established and existing under the laws of Luxembourg registered with number B 84.895 with the Luxembourg Register of Commerce and Companies and having its registered address at 3 Avenue Pasteur, L-2311 Luxembourg, as borrower (the “**Borrower**”);
- (2) **ING BANK N.V.** as mandated lead arranger (the “**Mandated Lead Arranger**”);
- (3) **ING (IRELAND) LTD.** as lender (the “**Original Lender**”); and
- (4) **ING BANK N.V., LONDON BRANCH** as agent of the other Finance Parties (the “**Agent**”).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Additional Cost Rate**” has the meaning given to it in Schedule 3 (*Mandatory Cost formula*).

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

“**Availability Period**” means the period from and including the Signing Date to and including the date which is 7 days after the Signing Date.

“**Available Commitment**” means, in relation to the Facility, a Lender’s Commitment under the Facility minus:

- (a) the amount of its participation in any outstanding Loan under the Facility; and
- (b) in relation to any proposed Utilisation, the amount of its participation in any Loans that are due to be made under the Facility on or before the proposed Utilisation Date.

“**Available Facility**” means, in relation to the Facility, the aggregate for the time being of each Lender’s Available Commitment in relation to the Facility.

“**Borrower Audited Original Financial Statements**” means the audited consolidated financial statements of the Borrower for the financial year ending 31 December 2004.

“**Borrowings**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Break Costs**” means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to

the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the London interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Amsterdam, London, Moscow and New York City.

“**Commitment**” means:

- (a) in relation to the Original Lender, US\$150,000,000 and the amount of any other Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Compliance Certificate**” means a certificate substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*).

“**Confidentiality Undertaking**” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between the Borrower and the Agent.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 21 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**EBITDA**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Environment**” means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including land under water).

“**Environmental Law**” means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or
- (c) relate to any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or

the Environment or a nuisance to any person or that may make the use or ownership of any affected land or property more costly or health and safety matters.

“**Environmental Licence**” means any Authorisation required at any time under Environmental Law.

“**Event of Default**” means any event or circumstance specified as such in Clause 21 (*Events of Default*).

“**Facility**” means the term loan facility made available under this Agreement as described in Clause 2.1 (*The Facility*).

“**Facility Office**” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Fee Letter**” means the letter dated on or about the Signing Date between the Mandated Lead Arranger and the Borrower (or the Agent and the Borrower) setting out the fee referred to in Clause 11 (*Arrangement Fee*).

“**Final Maturity Date**” means the date which is 6 Months after the first Utilisation Date.

“**Finance Document**” means this Agreement, any Fee Letter, the Parent Guarantee and any other document designated as such by the Agent and the Borrower.

“**Finance Party**” means the Agent, the Mandated Lead Arranger or a Lender.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) shares which are expressed to be redeemable at the option of the holder on or prior to the Final Maturity Date (but excluding any accrued dividends);
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

“**GAAP**” means generally accepted accounting principles, standards and practices in the United States of America.

“**Group**” means the Parent and its Subsidiaries for the time being.

“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**IFRS**” means the International Financial Reporting Standards issued by the International Accounting Standards Committee, London.

“**Interest Expense**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Lender**” means:

- (a) the Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 22 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**LIBOR**” means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for Dollars or the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of 11:00 a.m. on the Quotation Day for the offering of deposits in Dollars for a period comparable to the Interest Period for that Loan.

“**LMA**” means the Loan Market Association.

“**Loan**” means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

“**Majority Lenders**” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than $66\frac{2}{3}\%$ of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than $66\frac{2}{3}\%$ of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than $66\frac{2}{3}\%$ of all the Loans then outstanding.

“**Mandatory Cost**” means the percentage rate per annum calculated by the Agent in accordance with Schedule 3 (*Mandatory Cost formula*).

“**Margin**” means 0.75 per cent. per annum.

“**Material Adverse Effect**” means a material adverse effect on or material adverse change in:

- (a) the financial condition, operations, assets, prospects or business of the Parent or the consolidated financial condition, operations, assets, prospects or business of the Group;
- (b) the ability of any Obligor to perform and comply with their respective obligations under any Finance Document to which they are a party; or
- (c) the validity, legality or enforceability of any Finance Document, or the rights or remedies of any Finance Party thereunder.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

“**Obligor**” means the Borrower or the Parent.

“**Original Financial Statements**” means:

- (a) the Parent Audited Original Financial Statements;
- (b) the Borrower Audited Original Financial Statements; and
- (c) the unaudited consolidated financial statements of the Parent for the financial quarter ending 30 September 2005 prepared in accordance with RAS.

“**Parent**” means Mobile TeleSystems Open Joint Stock Company, an open joint stock company established and existing under the laws of the Russian Federation and having its registered address at 4 Marksistskaya Street, 109147 Moscow, Russian Federation.

“**Parent Audited Original Financial Statements**” means the audited consolidated and non-consolidated financial statements of the Parent for the financial year ending 31 December 2004.

“**Parent Guarantee**” means the guarantee of the obligations of the Borrower under the Finance Documents by the Parent to be entered into in favour of the Agent (for the benefit of the Finance Parties).

“**Participating Member State**” means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

“**Party**” means a party to this Agreement.

“**Permitted Security**” means:

- (a) any Security on any assets of any corporation existing at the time such corporation is merged or consolidated with or into the Parent or any Subsidiary of the Parent or becomes a Subsidiary of the Parent and not created in contemplation of such event, provided that no such Security shall extend to any other assets;

- (b) any Security existing on any assets prior to the acquisition thereof by the Parent or any Subsidiary of the Parent and not created in contemplation of such acquisition, provided that no such Security shall extend to any other assets;
- (c) any Security on any assets securing Financial Indebtedness of the Parent or Financial Indebtedness of any Subsidiary of the Parent incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such assets, provided that (i) no such Security shall extend to any other assets; (ii) the aggregate principal amount of all Financial Indebtedness secured by such Security on such assets shall not exceed the lower of (x) the purchase price of such assets and (y) the fair market value of such assets at the time of acquisition, repair or refurbishing; and (iii) such Security attaches to such assets concurrently with the repair or refurbishing thereof or within 90 days after the acquisition thereof, as the case may be;
- (d) any Security arising by operation of law, including any Security (i) arising in the ordinary course of business with respect to amounts not yet delinquent or being contested by the Parent or a Subsidiary of the Parent in good faith in appropriate proceedings or (ii) for taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (e) any Security on the assets of any Subsidiary of the Parent securing intercompany Financial Indebtedness of such Subsidiary owing to the Parent or another Subsidiary of the Parent;
- (f) any netting or set-off arrangement entered into by a member of the Group with a bank or any other financial institution in the normal course of its banking arrangements for the purpose of netting or setting off its debit and credit facilities with that bank or financial institution;
- (g) easements, rights-of-way, restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Parent or the business of any Subsidiary of the Parent, including any encumbrance or restriction with respect to an equity interest of any joint venture pursuant to a joint venture agreement;
- (h) any extension, renewal or replacement of any Security described in clauses (a) to (g) above, provided that (i) such extension, renewal or replacement shall be no more restrictive in any material respect than the original Security; (ii) the amount of Financial Indebtedness secured by such Security is not increased; and (iii) if the assets securing the Financial Indebtedness subject to such Security are changed in connection with such refinancing, extension or replacement, the fair market value of the property or assets is not increased; and
- (i) any other Security (excluding any Security described in (a)-(h) above) provided that, immediately after giving effect to such Security, the aggregate amount of all secured Financial Indebtedness of the Group does not exceed 10% of the Parent's Total Assets.

“**Qualifying Lender**” has the meaning given to it in Clause 12 (*Tax gross-up and indemnities*).

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the London interbank market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the London interbank market (and if quotations for that

currency and period would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days).

“**RAS**” means generally accepted accounting principles, standards and practices in the Russian Federation.

“**Reference Banks**” means in relation to LIBOR and Mandatory Cost the principal London offices of the Mandated Lead Arranger, ABN AMRO Bank N.V., HSBC Bank PLC or such other banks as may be appointed by the Agent in consultation with the Borrower.

“**Relevant Period**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Repeating Representations**” means each of the representations set out in Clauses 17.1 (*Status*), 17.2 (*Binding obligations*), 17.3 (*Non-conflict with other obligations*), 17.4 (*Power and authority*), 17.6 (*Governing law and enforcement*), 17.11 (*No default*), 17.13 (*Pari Passu Ranking*), 17.14 (*No proceedings pending or threatened*), 17.15 (*Environmental laws and licences*) and 17.16 (*Telecommunications law and licences*).

“**Roubles**” or “**RUR**” means the lawful currency of the Russian Federation for the time being.

“**Russian Insolvency Law**” means the Federal Law of the Russian Federation No. 127-FZ of 26 October 2002 “On Insolvency (Bankruptcy)”.

“**Screen Rate**” means the British Bankers Association Interest Settlement Rate for Dollars for the relevant period displayed on the appropriate page of the Telerate screen. If the agreed page is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrower and the Lenders.

“**Security**” means a mortgage, charge, lien, pledge or other security interest securing any obligations of any person or any other agreement or arrangement having a similar effect.

“**Significant Subsidiary**” means:

- (a) UMC (unless, pursuant to the UMC Litigation, any or all of the Borrower’s shares in UMC are transferred to a person that is not a member of the Group, with the result that UMC ceases to be a member of the Group);
- (b) any Subsidiary of the Parent to which (i) the Parent sells, leases or otherwise transfers its GSM 900 or 1800 licences or (ii) any such licence is re-issued; and
- (c) any Subsidiary of the Parent (i) whose total assets (or, where such Subsidiary prepares consolidated accounts, whose total consolidated assets) have a book value (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) equal to or exceeding 10% of the Parent’s Total Assets or (ii) whose gross annual revenues (or, where such Subsidiary prepares consolidated accounts, whose gross annual consolidated revenues) (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) are equal to or exceed 10% of the Parent’s gross annual consolidated revenues in the year for which the Parent’s most recent consolidated financial statements were prepared.

“**Signing Date**” means the date of this Agreement.

“**Subsidiary**” means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership.

“**Syndication Date**” means (unless otherwise agreed by the Borrower and the Mandated Lead Arranger) the day specified by the Mandated Lead Arranger as the day on which primary syndication of the Facility is completed.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Telecommunications Authorisation**” means any Authorisation from any governmental or other regulatory authority necessary in order for each of the Parent and its Significant Subsidiaries to maintain, operate and conduct its business as it is being conducted in accordance with Telecommunications Laws.

“**Telecommunications Laws**” means (a) all laws and regulations which relate to telecommunications and/or the business of providing mobile telephone services and (b) all rules, guidelines, policies and regulations made thereunder, that are applicable to each of the Parent and its Significant Subsidiaries and/or the business carried on by it.

“**Total Assets**” means the book value of the consolidated total assets of the Parent as determined by reference to the Parent’s most recent annual consolidated balance sheet delivered in accordance with paragraph (a) of Clause 18.1 (*Financial statements*) or, prior to the first delivery, to the Parent Audited Original Financial Statements.

“**Total Commitments**” means the aggregate of the Commitment, being \$150,000,000 at the Signing Date.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Agent executes the Transfer Certificate.

“**UMC**” means Ukrainian-German-Dutch-Danish Joint Venture “Ukrainian Mobile Communications” in Ukraine.

“**UMC Litigation**” means any of the claims, proceedings (present or future) and causes of action involving the Parent and/or any of its Affiliates (including UMC) relating to or arising out of the sale of UMC to the Parent or the acquisition, reorganization or ownership of UMC by the Parent.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**US Dollars**”, “**Dollars**”, “**USD**” and “**\$**” denote the lawful currency of the United States of America.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Utilisation Request*).

“**VAT**” means value added tax and any other tax of a similar nature.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “**Agent**”, the “**Mandated Lead Arranger**”, any “**Finance Party**”, any “**Lender**”, the “**Borrower**” and any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise;
 - (iv) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
 - (v) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a “**person**” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vii) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (ix) a time of day is a reference to London time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.

1.3 Third Party Rights

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

**SECTION 2
THE FACILITY**

2 THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrower a term loan facility in Dollars in an aggregate amount equal to the Commitment.

2.2 Finance Parties' rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3 PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under the Facility towards its general corporate purposes, including towards the financing of acquisitions by any member of the Group.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrower may not deliver the first Utilisation Request unless the Agent has received all of the documents and other evidence listed in Schedule 1 (*Conditions precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (i) no Default is continuing or would result from the proposed Loan; and
- (ii) the Repeating Representations are true in all material respects.

**SECTION 3
UTILISATION**

5 UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise the Facility by delivery to the Agent of a duly completed Utilisation Request not later than 10:00 a.m. on the day falling 3 Business Days before the proposed Utilisation Date (or, in relation to the first Utilisation Request, not later than 10:00 a.m. on the day falling 1 Business Day before the proposed Utilisation Date).

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
 - (i) the proposed Utilisation Date is a Business Day within the Availability Period;
 - (ii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
 - (iii) it specifies the account and bank to which the proceeds of the Utilisation are to be credited.
- (b) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be Dollars.
- (b) The amount of the proposed Loan must be:
 - (i) a minimum of \$50,000,000 or, if less, the Available Facility; or
 - (ii) in any event such that it is less than or equal to the Available Facility.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.
- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan not later than 5:00 p.m. on the day falling 3 Business Days before the relevant Utilisation Date (or, in relation to the first Loan, not later than 11:00 a.m. on the day falling 1 Business Day before the first Utilisation Date).

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6 REPAYMENT

- (a) The Borrower shall repay the Loans in two equal instalments, by paying on each of (i) the date falling 5 Months after the first Utilisation Date and (ii) the Final Maturity Date an amount equal to one half of the amount of the Loans outstanding at the close of business on the last day of the Availability Period for the Facility.
- (b) The Borrower may not reborrow any part of the Facility which is repaid.

7 PREPAYMENT AND CANCELLATION

7.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and
- (c) the Borrower shall repay that Lender's participation in the Loans on the last day of the Interest Period for each Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, cancel the whole or any part (being a minimum amount of \$10,000,000) of the Available Facility. Any cancellation under this Clause 7.2 shall reduce the Commitments of the Lenders rateably under the Facility.

7.3 Voluntary prepayment of Loans

- (a) The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the Loan by a minimum amount of \$10,000,000).
- (b) A Loan may only be prepaid after the last day of the Availability Period (or, if earlier, the day on which the Available Facility is zero).
- (c) Each prepayment shall be applied in satisfaction of the Borrower's obligations under Clause 6 (*Repayment*) in the inverse order of maturity of the Loans (or, at the option of the Borrower, *pro rata* to the remaining principal instalments thereof).

7.4 Mandatory Prepayment — Change of Control

- (a) In this Clause 7.4, “**Change of Control**” means any of the following events or circumstances:
- (i) the Parent ceases to be the legal and beneficial owner of not less than 99% of the issued shares of the Borrower or ceases to own or control of not less than 99% of the voting interests of the share capital of the Borrower; or
 - (ii) any person or group of persons acting in concert or under an express or implied agreement or understanding, directly or through one or more intermediaries, shall (x) acquire ultimate beneficial or legal ownership of, or control over, more than 50% of the issued shares of the Parent; (y) acquire ownership of or control over more than 50% of the voting interests in the share capital of the Parent; or (z) obtain the power (whether or not exercised) to elect not less than half of the directors of the Parent; (provided, however, that any acquisition by Sistema JSFC or any of its Subsidiaries that results in the 50% threshold in paragraphs (x) and (y) above being exceeded, or in the power referred to in paragraph (z) above being obtained, will not be a Change of Control).
- (b) If there is a Change of Control:
- (i) the Borrower shall, or (if applicable) shall procure that the Parent shall, promptly notify each Lender (through the Agent) upon the Borrower or (if applicable) the Parent becoming aware of that event;
 - (ii) the Borrower may not make a Utilisation; and
 - (iii) if any Lender (in its sole discretion) so requires, it may, within 5 Business Days of its receipt of the notification under sub-clause (i) above, direct the Agent to send a notice to the Borrower requiring the Borrower to repay that Lender’s participations in the Loans (together with accrued interest) in full on the day (the “**Early Repayment Date**”) falling 30 days after the date of the notification under sub-clause (i) above. Before the Early Repayment Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender’s rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Early Repayment Date, then (x) the Borrower shall repay that Lender’s participations in the Loans (together with accrued interest) in full on the Early Repayment Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.5 Right of repayment and cancellation in relation to a single Lender

If:

- (a) any sum payable to any Lender by the Borrower is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*); or
- (b) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*),

the Borrower may, whilst the circumstance giving rise to the requirement or indemnification continues, give the Agent notice of cancellation of the Commitments of that Lender and its intention to procure the repayment of that Lender’s participation in the Loans on the last day of the Interest Period ending after the date of such notice (or, if earlier, on such other date as

specified by the Borrower in that notice) (the “**Cancellation Date**”). Before the Cancellation Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender’s rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Cancellation Date, then (x) the Borrower shall repay that Lender’s participations in the Loans (together with accrued interest) in full on the Cancellation Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.6 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) The Borrower may not reborrow any part of the Facility which is prepaid.
- (d) The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.
- (f) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

**SECTION 5
COSTS OF UTILISATION**

8 INTEREST

8.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin;
- (b) LIBOR; and
- (c) Mandatory Cost, if any.

8.2 Payment of interest

The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than 6 Months, on the date falling at six monthly intervals after the first day of the Interest Period).

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is the sum of 2 per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower on demand by the Agent.
- (b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be the sum of 2 per cent. and the rate which would have applied if the overdue amount had not become due.
- (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

9 INTEREST PERIODS

9.1 Duration of Interest Periods

- (a) Save as otherwise provided herein, each Interest Period shall have a duration of 1 Month and shall commence on the day on which the preceding Interest Period expires.
- (b) Each Interest Period shall begin on the Utilisation Date for that Loan or (after the first Interest Period of the relevant Utilisation) at the end of the last day of its preceding Interest Period, and end on the last day of the Interest Period applicable to that Loan.
- (c) An Interest Period for a Loan shall not extend beyond the Final Maturity Date.
- (d) Prior to the Syndication Date each Interest Period shall have a duration of 1 Month or such other duration as is necessary to ensure that such Interest Period shall end on the Syndication Date.

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 CHANGES TO THE CALCULATION OF INTEREST

10.1 Absence of quotations

Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by 11:00 a.m. on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the rate per annum which is the sum of:
 - (i) the Margin;
 - (ii) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select; and
 - (iii) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.
- (b) In this Agreement "**Market Disruption Event**" means:
 - (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for Dollars for the relevant Interest Period; or
 - (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in a

Loan exceed 35 per cent. of that Loan) that the cost to it of obtaining matching deposits in the London interbank market would be in excess of LIBOR.

10.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

10.4 Break Costs

- (a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 ARRANGEMENT FEE

The Borrower shall pay to the Mandated Lead Arranger an arrangement fee in the amount and at the times agreed in the Fee Letter.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

12 TAX GROSS-UP AND INDEMNITIES

12.1 Definitions

(a) In this Agreement:

“**Protected Party**” means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“**Qualifying Lender**” means any Lender which is situated for tax purposes in Luxembourg or which is a Treaty Lender.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by the Borrower to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

“**Treaty Lender**” means, in respect of a jurisdiction, a Lender entitled under the provisions of a double taxation treaty to receive payments of interest from a person resident in that jurisdiction without a Tax Deduction (subject to the completion of any necessary procedural formalities).

(b) Unless a contrary indication appears, in this Clause 12 a reference to “**determines**” or “**determined**” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

(a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender, it shall notify the Borrower.

(c) Subject to paragraph (d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) The Borrower is not required to make an increased payment to a Lender under paragraph (c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to that Lender without a Tax Deduction if that Lender was a Qualifying Lender, but on that date that Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation,

administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).

- (e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Agent for the Finance Party entitled to the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) The Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:
 - (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or
 - (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or
 - (B) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 12.2 (*Tax gross-up*) applied.
- (c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.
- (d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Agent.

12.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay promptly an amount to the Borrower which that Finance Party determines will leave the Finance Party (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Borrower.

12.5 Stamp taxes

The Borrower shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 Value added tax

- (a) All consideration expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any VAT. If VAT is chargeable on such consideration, that Party shall pay to the Finance Party (or directly to the appropriate tax authority, if so required by law) (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT.
- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither it nor any other member of the group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

13 INCREASED COSTS

13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within three Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the Signing Date.
- (b) In this Agreement “**Increased Costs**” means:
 - (i) a reduction in the rate of return from the Facility or on a Finance Party’s (or its Affiliate’s) overall capital;
 - (ii) an additional or increased cost; or
 - (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrower.

- (b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

- (a) Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
- (i) attributable to a Tax Deduction required by law to be made by the Borrower;
 - (ii) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied);
 - (iii) compensated for by the payment of the Mandatory Cost; or
 - (iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.
- (b) In this Clause 13.3, a reference to a “**Tax Deduction**” has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 OTHER INDEMNITIES

14.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
- (i) making or filing a claim or proof against the Borrower;
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,
- the Borrower shall as an independent obligation, within three Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.
- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

The Borrower shall, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by the Borrower to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 26 (*Sharing among the Finance Parties*);

- (c) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

14.3 Indemnity to the Agent

The Borrower shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

15 MITIGATION BY THE LENDERS

15.1 Mitigation

- (a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

15.2 Limitation of liability

- (a) The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

16 COSTS AND EXPENSES

16.1 Transaction expenses

The Borrower shall promptly on demand pay the Agent and the Mandated Lead Arranger the amount of all reasonable out-of-pocket costs and legal expenses incurred by any of them in connection with the negotiation, preparation, execution and syndication of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement,

subject, in each case, to the cap on such amounts agreed between the Mandated Lead Arranger and the Borrower.

16.2 Amendment costs

If (a) any Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 27.9 (*Change of currency*), the Borrower shall, within three Business Days of demand, reimburse the Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement costs

The Borrower shall, within three Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

17 REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

17.1 Status

- (a) It is a *société anonyme*, duly established, registered and validly existing under the laws of Luxembourg.
- (b) Each Obligor and each Significant Subsidiary has the power to own its assets and carry on its business as it is being conducted.

17.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations, subject to insolvency and other laws affecting creditors' rights generally and principles of equity.

17.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any member of the Group's constitutional documents; or
- (c) any agreement or instrument binding upon it or any member of the Group or any member of the Group's assets.

17.4 Power and authority

Each Obligor has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents and the transactions contemplated by those Finance Documents.

17.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable each Obligor lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents;
- (b) for each Obligor and each Significant Subsidiary to carry on its and their business; and
- (c) to make the Finance Documents to which each Obligor is a party admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect (except, in relation to paragraph (b) above, where the failure to obtain such Authorisations (excluding any Telecommunications Authorisations) is not reasonably likely to have a Material Adverse Effect).

17.6 Governing law and enforcement

- (a) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in its jurisdiction of incorporation.
- (b) Any arbitration award obtained in England in relation to a Finance Document will be recognised and enforced in its jurisdiction of incorporation in accordance with the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards.

17.7 No bankruptcy proceedings

Neither the Borrower, the Parent nor any Significant Subsidiary has taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief (after due inquiry), threatened against any Obligor or any Significant Subsidiary for:

- (a) its liquidation, winding-up, insolvency, dissolution, administration, reorganisation or bankruptcy or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of any Obligor or any Significant Subsidiary;
- (b) the suspension of payments, a moratorium of any indebtedness, judicial management, receivership, provisional supervision, a “*concordat préventif de faillite*” or a “*gestion contrôlée*” institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshniy upravlayuschiy*) or the appointment of a bankruptcy manager (*konkursniy upravlayuschiy*) or similar officer of any Obligor or any Significant Subsidiary;
- (c) a composition, assignment or arrangement with any creditor of any Obligor or any Significant Subsidiary or the convening of a meeting of creditors for the purposes of considering an amicable settlement (as defined in the Russian Insolvency Law);
- (d) the appointment of a liquidator, judicial manager, receiver and/or manager, administrator, administrative receiver, compulsory manager, provisional supervisor, supervisor or other similar officer in respect of any Obligor or any Significant Subsidiary; or
- (e) any analogous act in respect of any Obligor or any Significant Subsidiary in any jurisdiction.

17.8 Deduction of Tax

It is not required under the law of its jurisdiction of incorporation to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Qualifying Lender.

17.9 No filing or stamp taxes

Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the

transactions contemplated by the Finance Documents, except for court registration fees in connection with any enforcement proceedings in such court.

17.10 Payment of Taxes

Neither any Obligor nor any Significant Subsidiary has overdue tax liabilities, other than tax liabilities (a) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves or other appropriate provision has been made or (b) whose amount, together with all such other unpaid or undischarged taxes, does not in aggregate exceed \$25,000,000 (or its equivalent in any other currency or currencies).

17.11 No default

- (a) No Default or Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any other member of the Group or to which its (or any other member of the Group's) assets are subject which is reasonably likely to have a Material Adverse Effect.

17.12 Financial statements

- (a) The Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) The Borrower Audited Original Financial Statements fairly represent the Borrower's financial condition and operations as at the end of and for the relevant financial year.
- (c) The Parent Audited Original Financial Statements fairly represent the Parent's and the Group's consolidated, financial condition and operations as at the end of and for the relevant financial year.
- (d) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group) since the date of the Parent Audited Original Financial Statements.

17.13 *Pari passu* ranking

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.14 No proceedings pending or threatened

Other than the UMC Litigation, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including but not limited to, investigative proceedings) have, to the best of its knowledge and belief (after due inquiry), been started or threatened against any Obligor or any Significant Subsidiary which, if adversely determined would be reasonably likely to have a Material Adverse Effect.

17.15 Environmental laws and licences

Except as disclosed in writing to the Agent before the date hereof, each member of the Group has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required in connection with its business; and
- (c) complied with the terms of those Environmental Licences,

in each case where failure to do so would be reasonably likely to have a Material Adverse Effect.

17.16 Telecommunications laws and licences

(a) Each of the Borrower, the Parent and the Significant Subsidiaries has:

- (i) complied in all material respects with all Telecommunications Laws to which it may be subject;
- (ii) obtained all material Telecommunications Authorisations necessary to conduct its business; and
- (iii) complied in all material respects with the terms of those Telecommunication Authorisations,

in each case other than where failure to do so would not reasonably be expected to have a Material Adverse Effect.

(b) There has been no act, omission or event which might reasonably be expected to give rise to the material amendment, revocation, suspension, cancellation, withdrawal or termination of any provision of any Telecommunications Authorisation. To the best of its knowledge and belief (after due inquiry), no Telecommunications Authorisation is the subject of any pending or threatened proceedings which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

17.17 Compliance with laws

Each of the Borrower, the Parent and the Significant Subsidiaries is conducting its business and operations in compliance with all laws and regulations and all directives of any government agency having legal force applicable or relevant to it, excluding any such non-compliance which would not reasonably be expected to have a Material Adverse Effect.

17.18 No Immunity

- (a) The execution by the Borrower of the Finance Documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial activities done and performed for private and commercial purposes (rather than public and governmental purposes).
- (b) In any proceedings taken in the Russian Federation in relation to the Finance Documents, the Borrower will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

17.19 Repetition

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request and the first day of each Interest Period (provided that whenever the representation in paragraph (c) of Clause 17.3 is deemed to be made on a date other than the Signing Date or a Utilisation Date, the statement “except where the same would not be reasonably likely to have a Material Adverse Effect” shall qualify the representation in said paragraph (c)).

18 INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

18.1 Financial statements

The Borrower shall supply (or, where applicable, shall procure that the Parent shall supply) to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 90 days after the end of each of its financial years:
 - (i) its audited financial statements for that financial year; and
 - (ii) the audited consolidated and non-consolidated financial statements of the Parent for that financial year; and
- (b) as soon as the same become available, but in any event within 60 days after the end of each of its first, second and third financial quarters and within 90 days of its fourth financial quarter:
 - (i) its unaudited financial statements for that financial quarter; and
 - (ii) the unaudited consolidated and non-consolidated financial statements of the Parent for that financial quarter.

18.2 Compliance Certificate

- (a) The Borrower shall supply to the Agent with each set of financial statements delivered pursuant to Clause 18.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 19 (*Financial Covenants*) as at the date as at which those financial statements were drawn up.
- (b) Each Compliance Certificate shall be signed by an authorised officer of the Borrower and, if required to be delivered with the financial statements delivered pursuant to paragraph (a) of Clause 18.1 (*Financial statements*), shall be reported on by the Borrower’s auditors in the form set out in Schedule 5 (*Form of Compliance Certificate*).

18.3 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial statements*) shall be certified by an authorised officer of the Borrower as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.

- (b) The Borrower shall procure that each set of consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 19 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that the Original Financial Statements.
- (c) Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.
- (d) The Borrower shall procure that each set of non-consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*):
 - (i) in respect of the Parent, is prepared using RAS accounting practices and financial reference periods; and
 - (ii) in respect of the Borrower, is prepared using IFRS accounting practices and financial reference periods.

18.4 Information: miscellaneous

The Borrower shall supply, and shall procure that the Parent shall supply, to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) all documents dispatched by the Borrower and the Parent to their respective shareholders (or any class of them) or their respective creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which would, if adversely determined, be reasonably likely to have a Material Adverse Effect;
- (c) promptly, such information as may be reasonably requested by the Agent (including relevant figures from management accounts) to ascertain whether any Subsidiary of the Parent falls within paragraph (e) of the definition of “Significant Subsidiary”; and
- (d) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Agent) may reasonably request.

18.5 Notification of Default

- (a) The Borrower shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

- (b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

18.6 Know your customer checks

- (a) If:
- (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
 - (ii) any change in the status of the Borrower after the date of this Agreement; or
 - (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

19 FINANCIAL COVENANTS

The financial undertakings in this Clause 19 shall remain in force from the Signing Date for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

19.1 Financial condition

The Borrower shall ensure that:

- (a) The ratio of Borrowings as at the end of any Relevant Period to EBITDA in respect of such Relevant Period will not exceed 3:1; and
- (b) the ratio of EBITDA to Interest Expense in respect of any Relevant Period will not be less than 5:1.

19.2 Financial covenant calculations

Borrowings, EBITDA and Interest Expense shall be calculated and interpreted on a consolidated basis in accordance with the GAAP applicable to the Parent Audited Original Financial Statements and shall be expressed in Dollars.

19.3 Definitions

In this Clause 19.3:

“**Borrowings**” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of members of the Group (other than any indebtedness referred to in paragraph (g) of the definition of Financial Indebtedness and any guarantee or indemnity in respect of that indebtedness).

For this purpose, any amount outstanding or repayable in a currency other than Dollars shall on that day be taken into account in its Dollars equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with the GAAP applicable to the Original Financial Statements of the Borrower.

“**EBITDA**” means, in relation to any Relevant Period, the total consolidated operating profit of the Group for that Relevant Period:

- (a) before taking into account:
 - (i) Interest Expense;
 - (ii) Tax;
 - (iii) any share of the profit of any associated company or undertaking, except for dividends received in cash by any member of the Group; and
 - (iv) extraordinary and exceptional items; and
- (b) after adding back all amounts provided for depreciation and amortisation for that Relevant Period,

multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“**Interest Expense**” means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Group in that Relevant Period in respect of Borrowings including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions, arrangement fees and guarantee fees; and
- (c) amounts in the nature of interest payable in respect of any shares other than equity share capital,

adjusted (but without double counting) by:

- (i) adding back the net amount payable (or deducting the net amount receivable) by members of the Group in respect of that Relevant Period under any interest or (so far as they relate to interest) currency hedging arrangements; and
- (ii) deducting interest income of the Group in respect of that Relevant Period to the extent freely payable in cash,
multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“**Relevant Period**” means each period of 6 consecutive Months ending on the last day of each financial year and financial quarter of the Borrower.

20 GENERAL UNDERTAKINGS

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

20.1 Authorisations

The Borrower shall promptly:

- (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (ii) supply certified copies to the Agent of,

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable each Obligor to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

20.2 Compliance with laws

The Borrower shall, and shall procure that the Parent shall, comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

20.3 Maintenance of existence

The Borrower shall, and shall ensure that the Parent shall, maintain its corporate existence.

20.4 Negative pledge

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.
- (b) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will):
 - (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(c) Paragraphs (a) and (b) above do not apply to Permitted Security.

20.5 Disposals

(a) The Borrower shall not (and shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset.

(b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal:

(i) made in the ordinary course of trading of the disposing entity;

(ii) of assets in exchange for other assets comparable or superior as to type, value and quality;

(iii) made from one member of the Group (other than the Parent) to another member of the Group;

(iv) of cash or cash equivalents for cash or cash equivalents;

(v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with GAAP) does not exceed (x) 10% of the Parent's Total Assets in any financial year of the Parent and (y) 25% of the Parent's Total Assets during the period starting on the Signing Date and ending on the date that all amounts outstanding under this Agreement have been paid in full. At the request of the Agent (any such request to be made no more than once per calendar quarter, unless a Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with GAAP); or

(vi) involving the transfer of any or all of the Parent's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this sub-clause (vi) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

When calculating the Parent's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Parent is not available, the Parent's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Agent.

20.6 Merger

(a) The Borrower shall ensure that the Parent shall not enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelenie obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*),

company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than a consolidation or merger with one of its Subsidiaries where the Parent is the surviving entity.

- (b) The Borrower shall ensure that no Significant Subsidiary will enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdeleyeniye obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction if such reorganisation or transaction would, in the opinion of the Agent (acting reasonably), have a Material Adverse Effect.

20.7 Change of business

The Borrower shall procure that no substantial change is made to the general nature of the business of the Parent or the Group from that carried on at the Signing Date.

20.8 Conduct of business

The Borrower shall, and shall procure that each Significant Subsidiary will, conduct its business in all material respects in accordance with:

- (a) all Telecommunications Laws to which it is or may become subject;
- (b) all requirements of the telecommunications regulators of the Russian Federation, Ukraine and any other jurisdiction where it conducts its business; and
- (c) the terms of all relevant Telecommunications Authorisations.

20.9 Asset maintenance

The Borrower shall, and shall procure that the Parent and each Significant Subsidiary will, have and maintain good and marketable title to or valid leases or licences of, or rights of use relating to, all assets necessary to maintain, develop and operate and otherwise conduct its business as then being conducted by it and in each case where failure to do so might reasonably be expected to have a Material Adverse Effect.

20.10 Insurance

The Borrower shall (and shall ensure that each other member of the Group will) maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks, and to the extent, usually insured against by prudent companies located in the same or a similar location and carrying on a similar business.

20.11 Transactions with Related Parties

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will), directly or indirectly, enter into or permit to exist any intercompany loan with, or for the benefit of, any Related Party, unless:

- (i) the terms of such intercompany loan are no less favourable to such member of the Group than those that could be obtained in a comparable arm's-length transaction or series of related transactions with a person that is not a Related Party; or
- (ii) such intercompany loan is made pursuant to a contract or contracts existing on the Signing Date (excluding any amendments or modifications thereto after the Signing Date),

provided that the aggregate outstanding amount of all such intercompany loans described in sub-clauses (i) and (ii) above does not, at any time, exceed \$100,000,000.

(b) Paragraph (a) above does not apply to:

- (i) compensation or employee benefit arrangements with any officer or director of any member of the Group arising out of any employment contract entered into in the ordinary course of business; or
- (ii) transactions between members of the Group.

(c) For the purposes of this Clause 20.11 only, a **"Related Party"** means, with respect to any specified person:

- (i) any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person; or
- (ii) any other person who is a director or executive officer of (a) such specified person or (b) any person described in (i) above.

For purposes of the definition of **"Related Party"** only, **"control"** (including, with correlative meanings, the terms **"controlling," "controlled by"** and **"under common control with"**), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10 per cent. or more of any class, or any series of any class, of equity securities of a person, whether or not voting, shall be deemed to be control.

20.12 Restriction on acquisitions

The Borrower shall ensure that the Parent shall not establish or acquire any Subsidiary or invest in any other entity without the consent of the Majority Lenders (such consent not to be unreasonably withheld), provided that this Clause 20.12 shall not apply to any such acquisition or investment where:

- (a) such acquisition or investment relates to a Subsidiary or entity whose principal business is telecommunications or the provision of data services or related or ancillary businesses; and
- (b) the consideration paid by the Parent in relation to such acquisition or investment, when aggregated with the consideration paid by the Parent in relation to each other acquisition or investment permitted under this paragraph (b), does not exceed (i) 20 per cent. of the Parent's Total Assets in the financial year of the Parent ending 31 December 2004; and (ii) 15 per cent. (or such higher amount not exceeding 20 per cent. as the Majority Lenders may agree (acting reasonably)) of the Parent's Total Assets in any other financial year of the Parent.

20.13 Prompt payment of Taxes

The Borrower shall (and shall ensure that the Parent and each Significant Subsidiary will) duly pay all Taxes payable by it, other than (a) those taxes which are being contested in good faith and by appropriate proceedings and in respect of which adequate reserves or other appropriate provisions have been made; or (b) whose amount does not exceed \$25,000,000 (or its equivalent in any other currencies).

20.14 *Pari passu*

The Borrower shall, and shall procure that each member of the Group will, procure that its obligations under the Finance Documents rank at least *pari passu* with all its other unsecured, unsubordinated obligations save where such other obligations are mandatorily preferred by law.

20.15 Loans and guarantees

- (a) The Borrower shall not (and the Borrower shall ensure that no member of the Group will):
- (i) make any loan, or provide any form of credit or financial accommodation, to any person (including, without limitation, its employees, shareholders, another member of the Group and any Affiliate); or
 - (ii) give or issue any guarantee, indemnity, bond or letter of credit to or for the benefit of, or in respect of liabilities or obligations of, any other person or voluntarily assume any liability (whether actual or contingent) of any other person (including, in each case and without limitation, its employees, shareholders, another member of the Group and any Affiliate).
- (b) The restrictions in paragraph (a) above do not apply to (i) loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit expressly permitted by the Finance Documents or for normal trade credit on arm's length terms and in the ordinary course of business or granted by a member of the Group to another member of the Group, provided that the aggregate amount of such loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit does not at any time exceed 10 per cent. of the Parent's Total Assets; (ii) guarantees by the Parent in relation to the obligations of any other member of the Group; or (iii) the arrangements permitted under Clause 20.11 (*Transactions with Related Parties*).

21 EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 21 is an Event of Default.

21.1 Non-payment

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within three Business Days of its due date.

21.2 Financial covenants

Any requirement of Clause 19 (*Financial Covenants*) is not satisfied.

21.3 Other obligations

- (a) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 21.1 (*Non-payment*) and Clause 21.2 (*Financial Covenants*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the Agent giving notice to the Borrower or the relevant Obligor becoming aware of the failure to comply.

21.4 Misrepresentation

Any representation or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, and such representation or statement shall not have been rendered correct and not misleading within 10 Business Days of the Agent giving notice to the Borrower or the relevant Obligor becoming aware of the same.

21.5 Cross default

- (a) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is not paid when due nor within any originally applicable grace period.
- (b) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any single commitment for any Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
- (d) Any creditor of any member of the Group becomes entitled to declare any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) Any of the events described in paragraphs (a) to (d) above occurs in relation to any Financial Indebtedness or commitment for Financial Indebtedness of any amount (including, for the avoidance of doubt, any amount that is less than \$10,000,000 (or its equivalent in any other currency or currencies)), and the aggregate amount of all such Financial Indebtedness and commitments for Financial Indebtedness is in excess of \$35,000,000 (or its equivalent in any other currency or currencies).

21.6 Insolvency

- (a) An Obligor or a Significant Subsidiary is unable or admits its inability to pay its debts as they fall due, suspends making payments on its debts generally or, by reason of actual or anticipated

financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling its indebtedness generally.

- (b) The value of the assets of an Obligor or a Significant Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of the indebtedness of an Obligor or a Significant Subsidiary.

21.7 Insolvency proceedings

Any corporate action or legal proceedings are taken in relation to:

- (a) the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of an Obligor or a Significant Subsidiary, including, but not limited to, institution of supervision (*nablyudenie*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshneye upravlenie*) or bankruptcy management (*konkursnoye upravlenie*) (and such legal proceedings continue for at least 14 days);
- (b) the suspension of payments, composition, assignment or arrangement with any creditor, or a moratorium of any indebtedness, of an Obligor or a Significant Subsidiary (and such suspension continues for at least 14 days);
- (c) the presentation or filing of a petition (or similar document) in respect of an Obligor or a Significant Subsidiary in any court, state arbitration court (*arbitrazhnyi sud*) or before any other authority in respect of the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation, provisional supervision, supervision, a “*concordat préventif de faillite*”, a “*gestion contrôlée*” or liquidation of an Obligor or a Significant Subsidiary (and such petition has not been discharged within 14 days);
- (d) the appointment of a liquidator (*likvidator*) or a liquidation commission (*likvidatsionnaya komissiya*), temporary manager (*vremenny upravlaushiy*), administrative manager (*administrativniy upravlaushiy*), external manager (*vneshniy upravlaushiy*), bankruptcy manager (*konkursniy upravlaushiy*), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor, supervisor or other similar officer in respect of an Obligor or a Significant Subsidiary or any of its assets (and such appointment continues for at least 14 days); or
- (e) the enforcement of any Security over any asset or assets of an Obligor or a Significant Subsidiary (unless such enforcement is stayed within 14 days),

or any analogous procedure or step is taken in any jurisdiction.

21.8 Creditors’ process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of an Obligor or a Significant Subsidiary with a value in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and is not discharged or stayed within 30 days.

21.9 Judgment

The rendering against any member of the Group of a judgment, decree or order for the payment of money in an amount in excess of \$10,000,000 (or its equivalent in any other currency or

currencies) and the continuance of any such judgment, decree or order unsatisfied and in effect for any period of 60 consecutive days without a stay of execution.

21.10 Loss of Licence

(a) Any action results in the suspension for more than 30 days or the loss, revocation or termination of any of:

- (i) the Parent's GSM 900 or 1800 licences for the Moscow licence area;
- (ii) the Parent's GSM 900 or 1800 licences for the St. Petersburg licence area;
- (iii) the Parent's GSM 900 or 1800 licences for the Krasnodar licence area; or
- (iv) UMC's GSM 900 or 1800 licences for the Ukraine licence area,

except where, within 30 days of any such event, the relevant licence is re-issued on substantially the same terms to any member of the Group and during the period falling before such re-issuance there is no material interruption to, or other material adverse effect on, the operations permitted by such licence as a direct result of such prior loss, revocation or termination.

- (b) Any of the Parent's or UMC's GSM 900 or 1800 licences are amended (or any conditions are imposed with respect to any such licence) in a manner that, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (c) Any of the Parent's or UMC's assigned spectrum allocations are reassigned to other users (other than a Significant Subsidiary of the Borrower), cancelled or otherwise lost, and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (d) The Parent sells, leases or otherwise transfers any of its GSM 900 or 1800 licences for the Moscow licence area.
- (e) Any of the Parent's GSM 900 or 1800 licences (other than its GSM 900 and 1800 licences for the Moscow licence area) is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Parent.
- (f)
 - (i) Any of the GSM 900 or 1800 licences of UMC is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Parent.
 - (ii) Sub-clause (i) above does not apply to the transfer of the GSM 900 or 1800 licences of UMC pursuant to the UMC Litigation (provided that this sub-clause (ii) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

21.11 Cessation of Business

An Obligor or any Significant Subsidiary suspends, ceases or threatens to suspend or cease to carry on all or a substantial part of its business.

21.12 Expropriation

(a) By or under the authority of any government:

- (i) any seizure, compulsory acquisition, expropriation, nationalisation or renationalisation is made after the Signing Date of all or any material part of the assets or shares of (or other ownership interest in) any member of the Group;
 - (ii) the management of any member of the Group is wholly or partially displaced or the authority of any member of the Group in the conduct of its business is wholly or partially curtailed; or
 - (iii) any member of the Group is otherwise deprived of, or prevented from exercising ownership or control of, its material business or assets.
- (b) Paragraph (a) above does not apply to the transfer of any or all of the Parent's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this paragraph (b) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

21.13 Russian Foreign Exchange Restrictions

Any foreign exchange law is enacted or introduced in the Russian Federation which has the effect of prohibiting, restricting or delaying any payment by the Borrower or any member of the Group under the Finance Documents.

21.14 Moratorium

Any moratorium is declared on the payment of any external indebtedness of the Russian Federation or of Russian residents generally.

21.15 The Russian Federation

The political or economic situation in the Russian Federation deteriorates or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection or insurgency occurs in, or involves, the Russian Federation and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.

21.16 Unlawfulness

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents.

21.17 Repudiation

An Obligor repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

21.18 UMC Litigation

The UMC Litigation is adversely determined and, in the reasonable opinion of the Majority Lenders, such adverse determination has or is reasonably likely to have a Material Adverse Effect.

21.19 Material adverse change

The Majority Lenders determine that a Material Adverse Effect exists, has occurred or is reasonably likely to occur.

21.20 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders.

**SECTION 8
CHANGES TO PARTIES**

22 CHANGES TO THE LENDERS

22.1 Assignments and transfers by the Lenders

Subject to this Clause 22, a Lender (the “**Existing Lender**”) may:

- (i) assign any of its rights; or
- (ii) transfer by novation any of its rights and obligations,

to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).

22.2 Conditions of assignment or transfer

(a) An assignment will only be effective on:

- (i) receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and
- (ii) performance by the Agent of all “know your customer” or other checks relating to any person that it is required to carry out in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

(b) A transfer will only be effective if the procedure set out in Clause 22.5 (*Procedure for transfer*) is complied with.

(c) If:

- (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
- (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, the Borrower would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

22.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of \$1,000.

22.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of any Obligor;
 - (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
- and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
- (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 22; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

22.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 22.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) On the Transfer Date:

- (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “**Discharged Rights and Obligations**”);
- (ii) the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Obligors and the New Lender have assumed and/or acquired the same in place of the Obligors and the Existing Lender;
- (iii) the Agent, the Mandated Lead Arranger, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Mandated Lead Arranger and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
- (iv) the New Lender shall become a Party as a “Lender”.

22.6 Disclosure of information

Any Lender may disclose to any of its Affiliates and any other person:

- (a) to (or through) whom that Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
- (b) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or the Borrower; or
- (c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about the Borrower, the Parent, the Group and the Finance Documents as that Lender shall consider appropriate if, in relation to paragraphs (a) and (b) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking. This Clause supersedes any previous agreement relating to the confidentiality of this information.

23 CHANGES TO THE BORROWER

The Borrower may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

**SECTION 9
THE FINANCE PARTIES**

24 ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGER

24.1 Appointment of the Agent

- (a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each other Finance Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to it under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

24.2 Duties of the Agent

- (a) The Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (d) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent or the Mandated Lead Arranger) under this Agreement it shall promptly notify the other Finance Parties.
- (e) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

24.3 Role of the Mandated Lead Arranger

Except as specifically provided in the Finance Documents, the Mandated Lead Arranger have no obligations of any kind to any other Party under or in connection with any Finance Document.

24.4 No fiduciary duties

- (a) Nothing in this Agreement constitutes the Agent or the Mandated Lead Arranger as a trustee or fiduciary of any other person.
- (b) Neither the Agent nor the Mandated Lead Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

24.5 Business with the Group

The Agent and the Mandated Lead Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

24.6 Rights and discretions of the Agent

- (a) The Agent may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) The Agent may assume, unless it has received notice to the contrary in its capacity as agent for the Lenders, that:
 - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.1 (*Non-payment*)); and
 - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.
- (c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Agent may act in relation to the Finance Documents through its personnel and agents.
- (e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

24.7 Majority Lenders' instructions

- (a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

24.8 Responsibility for documentation

Neither the Agent nor the Mandated Lead Arranger:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Mandated Lead Arranger, the Borrower, the Parent or any other person given in or in connection with any Finance Document; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

24.9 Exclusion of liability

- (a) Without limiting paragraph (b) below, the Agent will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause.
- (c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.
- (d) Nothing in this Agreement shall oblige the Agent or the Mandated Lead Arranger to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Mandated Lead Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Mandated Lead Arranger.

24.10 Lenders' indemnity to the Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).

24.11 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrower.
- (b) Alternatively the Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.

- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent.
- (d) The retiring Agent shall, at its own cost, make available to its successor such documents and records and provide such assistance as its successor may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (e) The Agent's resignation notice shall only take effect upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 24. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Borrower, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.

24.12 Confidentiality

- (a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

24.13 Relationship with the Lenders

- (a) The Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Agent with any information required by the Agent in order to calculate the Mandatory Cost in accordance with Schedule 3 (*Mandatory Cost formula*).

24.14 Credit appraisal by the Lenders

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Mandated Lead Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other

agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

- (d) the adequacy, accuracy and/or completeness of any other information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

24.15 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrower) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

24.16 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

25 CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

26 SHARING AMONG THE FINANCE PARTIES

26.1 Payments to Finance Parties

If a Finance Party (a “**Recovering Finance Party**”) receives or recovers any amount from the Borrower other than in accordance with Clause 27 (*Payment Mechanics*) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 27 (*Payment*

Mechanics), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “**Sharing Payment**”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 27.5 (*Partial payments*).

26.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 27.5 (*Partial payments*).

26.3 Recovering Finance Party’s rights

- (a) On a distribution by the Agent under Clause 26.2 (*Redistribution of payments*), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Borrower shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

26.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 26.2 (*Redistribution of payments*) shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and
- (b) that Recovering Finance Party’s rights of subrogation in respect of any reimbursement shall be cancelled and the Borrower will be liable to the reimbursing Finance Party for the amount so reimbursed.

26.5 Exceptions

- (a) This Clause 26 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and

- (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**SECTION 10
ADMINISTRATION**

27 PAYMENT MECHANICS

27.1 Payments to the Agent

- (a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, the Obligor or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Agent specifies.

27.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 27.3 (*Distributions to the Borrower*) and Clause 27.4 (*Clawback*), be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency.

27.3 Distributions to the Borrower

The Agent may (with the Borrower's consent or in accordance with Clause 28 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

27.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

27.5 Partial payments

- (a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
 - (i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent or the Mandated Lead Arranger under the Finance Documents;
 - (ii) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
 - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
 - (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(i) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

27.6 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

27.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

27.8 Currency of account

- (a) Subject to paragraphs (b) to (e) below, Dollars is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than Dollars shall be paid in that other currency.

27.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

28 SET-OFF

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

29 NOTICES

29.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

29.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrower, that identified with its name below;
- (b) in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and
- (c) in the case of the Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

29.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with its signature below (or any substitute department or officer as it shall specify for this purpose).
- (c) All notices from or to the Borrower shall be sent through the Agent.

29.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 29.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

29.5 Electronic communication

- (a) Any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

29.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or

- (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

30 CALCULATIONS AND CERTIFICATES

30.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

30.2 Certificates and Determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

30.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the London interbank market differs, in accordance with that market practice.

31 PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

32 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

33 AMENDMENTS AND WAIVERS

33.1 Required consents

- (a) Subject to Clause 33.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.

(b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause.

33.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
- (i) the definition of “**Majority Lenders**” in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
 - (iv) an increase in or an extension of any Commitment;
 - (v) a change to an Obligor;
 - (vi) any provision which expressly requires the consent of all the Lenders; or
 - (vii) Clause 2.2 (*Finance Parties’ rights and obligations*), Clause 22 (*Changes to the Lenders*), Clause 26 (*Sharing among the Finance Parties*) or this Clause 33,

shall not be made without the prior consent of all the Lenders.

(b) An amendment or waiver which relates to the rights or obligations of the Agent or the Mandated Lead Arranger may not be effected without the consent of the Agent or the Mandated Lead Arranger.

34 COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

SECTION 11
GOVERNING LAW AND ENFORCEMENT

35 GOVERNING LAW

This Agreement is governed by English law.

36 ARBITRATION

36.1 Arbitration

Subject to Clause 36.4 (*Agent's option*), any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules (the "**Rules**") of the London Court of International Arbitration (the "**LCIA Court**").

36.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court within 15 days of the appointment of the second arbitrator.
- (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court within 15 days of such failure who shall designate one of them as chairman.
- (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court within 15 days of such agreement.
- (d) The seat of arbitration shall be London, England and the language of the arbitration shall be English.

36.3 Recourse to courts

Save as provided in Clause 36.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

36.4 Agent's option

Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Agent may (and, if so instructed by the Majority Lenders, shall) by notice in writing to the Borrower require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 37 (*Jurisdiction*).

37 JURISDICTION

37.1 Jurisdiction of English courts

- (a) The courts of England have exclusive jurisdiction to settle all Disputes.
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 37.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

37.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Borrower:

- (a) irrevocably appoints Law Debenture Corporation, located at the date hereof at 5th Floor, 100 Wood Street, London EC2V 7EX, England, as its agent for service of process in relation to any proceedings commenced in accordance with this Agreement; and
- (b) agrees that failure by a process agent to notify the Borrower of the process will not invalidate the proceedings concerned.

37.3 Waiver of immunity

The Borrower irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Borrower irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
Conditions precedent

1 Finance Documents

Executed originals of:

- (a) this Agreement;
- (b) the Parent Guarantee; and
- (c) the Fee Letter.

2 The Borrower and the Parent

- (a) Certified copies of the Borrower's and the Parent's duly registered constitutional documents and articles of association or certificates of registration (as applicable).
- (b) In respect of the Borrower, a non-bankruptcy certificate issued by the Clerk's office of the Luxembourg District Court.
- (c) Certified copies of all corporate resolutions necessary to authorise the Borrower and the Parent to execute and perform the Finance Documents and any documents referred to therein and the transactions contemplated thereunder (including but not limited to any major transaction approvals or interested party transaction approvals, if applicable).
- (d) Evidence of the authority of the relevant signatories of the Parent (including, but not limited to, its Chief Accountant) and the Borrower to execute each Finance Document to which it is a party and any documents referred to therein and the transactions contemplated thereunder.
- (e) A certified copy of the most recent balance sheet of the Borrower and the Parent by reference to the date of each Finance Document.
- (f) a certified copy of each of the Original Financial Statements.
- (g) A certificate executed on behalf of each of the Borrower and the Parent:
 - (i) certifying the sample signature and office of each person that signed the relevant Finance Document and any documents referred to therein and the transactions contemplated thereunder on behalf of the Borrower or the Parent (as applicable) and certifying that such signatories hold the positions in which capacity they executed such documents; and
 - (ii) certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

3 Legal opinions

- (a) A legal opinion of Linklaters as to matters of English law.
- (b) A legal opinion of Linklaters CIS as to matters of Russian law.
- (c) A legal opinion of Linklaters Loesch as to matters of Luxembourg law.
- (d) An in-house legal opinion of the Borrower.

4 Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 37.2 (*Service of process*) has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (c) The Original Financial Statements.
- (d) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and 16 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.
- (e) Such other documents or evidence which the Agent may reasonably require.

SCHEDULE 2
Utilisation Request

From: Mobile TeleSystems Finance S.A.

To: ING Bank N.V., London Branch as Agent

Dated:

Dear Sirs

Mobile TeleSystems Finance S.A.— US\$150,000,000 Facility Agreement
dated [] (the “Agreement”)

- 1** We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
- 2** We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [] or, if that is not a Business Day, the next Business Day)

Amount: [] or, if less, the Available Facility
- 3** We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
- 4** The proceeds of this Loan should be credited to [•].
- 5** This Utilisation Request is irrevocable.

Mobile TeleSystems Finance S.A.

By: _____

Name:

Title:

SCHEDULE 3
Mandatory Cost formula

- 1** The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
- 2** On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the “**Additional Cost Rate**”) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders’ Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
- 3** The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Agent. This percentage will be certified by that Lender in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender’s participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
- 4** The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{\text{Ex0.01}}{300} \quad \text{per cent. per annum.}$$

Where:

- E** is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
- 5** For the purposes of this Schedule:
- (a) “**Fees Rules**” means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (b) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (c) “**Tariff Base**” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
- 6** The resulting figure shall be rounded to four decimal places.
- 7** If requested by the Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that

Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8 Each Lender shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

- (a) the jurisdiction of its Facility Office; and
- (b) any other information that the Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Agent of any change to the information provided by it pursuant to this paragraph.

9 The rates of charge of each Reference Bank for the purpose of E above shall be determined by the Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above.

10 The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11 The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12 Any determination by the Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.

13 The Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.

SCHEDULE 4
Form of Transfer Certificate

To: ING Bank N.V., London Branch as Agent

From: [] (the “Existing Lender”) and [] (the “New Lender”)

Dated:

Mobile TeleSystems Finance S.A.— US\$150,000,000 Facility Agreement
dated [] (the “Agreement”)

- 1** We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
- 2** We refer to Clause 22.5 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender’s Commitment, rights and obligations referred to in the Schedule in accordance with Clause 22.5 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [].
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 29.2 (*Addresses*) are set out in the Schedule.
- 3** The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in paragraph (c) of Clause 22.4 (*Limitation of responsibility of Existing Lenders*).
- 4** This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
- 5** This Transfer Certificate is governed by English law.

THE SCHEDULE
Commitment/rights and obligations to be transferred

[insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments.]

[Existing Lender]

[New Lender]

By:

By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as [].

ING Bank N.V., London Branch

By:

SCHEDULE 5
Form of Compliance Certificate

To: ING Bank N.V., London Branch as Agent

From: Mobile TeleSystems Finance S.A.

Dated:

Dear Sirs

Mobile TeleSystems Finance S.A.— US\$150,000,000 Facility Agreement
dated [] (the “Agreement”)

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

1 [We confirm that no Default is continuing.]*

2 We confirm that the ratio of Borrowings as at the end of the Relevant Period ending on [•] to EBITDA in respect of such Relevant Period, was [•].

3 We confirm that the ratio of EBITDA to Interest Expense for the Relevant Period ending on [•], was [•].

Signed:

[Chief Financial Officer] of
Mobile TeleSystems Finance S.A.

**insert applicable certification language*

We have reviewed the Facility Agreement and audited consolidated financial statements of Mobile TeleSystems Finance S.A. for the year ended [].

On the basis of that review and audit, nothing has come to our attention which would require any modification to the confirmations in paragraphs 2 or 3 of the above Compliance Certificate.

.....

for and on behalf of

name of auditors of Mobile TeleSystems Finance S.A.

* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

The Borrower

Mobile TeleSystems Finance S.A.

Address:

Fax No:

Attention:

By: _____

Name:

Title:

The Mandated Lead Arranger

ING Bank N.V.

By: _____

Name:

Title:

The Original Lender

ING (Ireland) Ltd.

By: _____

Name:

Title:

The Agent

ING Bank N.V., London Branch

Address: 60 London Wall
London EC2M 5TQ

Fax: +44 207 767 7324

Attention: David Hobbs/Craig Baker
Agency Operations

By: _____

Name:

Title:

DOC 19 Header

CREDIT AGREEMENT

Dated 25 November 2005

between

OJSC Mobile TeleSystems, Russian Federation

as Borrower

and

HSBC Bank plc

ING Bank Deutschland AG

Bayerische Landesbank

as Mandated Lead Arrangers and Lenders

and

ING Bank Deutschland AG

as Facility Agent

and

HSBC Bank plc

as Hermes Agent

Table of Contents

Preamble

Clause

1.	Definitions and Interpretations	5
2.	Amount and Purpose of the Credits	8
3.	Disbursements / Reimbursements	12
4.	Conditions Precedent to Disbursements / Reimbursements	13
5.	Interest Periods, Interest, Increased Costs	15
6.	Fees	17
7.	Calculation of Periods	18
8.	Repayment and Prepayment	18
9.	Payments	19
10.	Taxes, Levies, Duties and Other Costs	20
11.	Guarantee of the Federal Republic of Germany for tied Buyer's Credits	23
12.	Suspension of Disbursement, Payments Immediately Due (Events of Default)	24
13.	Representations and Warranties	26
14.	Financial Statements, Information and Undertakings (Covenants)	26
15.	Assignability	29
16.	Statements and Notices	29
17.	Miscellaneous	30
18.	Currency Indemnity	30
19.	Applicable Law, Place of Performance and Jurisdiction	31
20.	General Provisions	31

Annexes to the Credit Agreement

- 1a – 1f Certificates for Disbursement and Reimbursement and Request for a fixed interest rate
- 2 Confirmation of Coming into Force of the Export Contracts / Additional Export Contract
- 3a - 3b Confirmation of Mean-weighted Date of Delivery of Equipment and License Products in relation to the Export Contract / in relation to the Additional Export Contract / in relation to the Export Contracts
- 4 Specimen Signature List of the Borrower
- 5 Form for Appointment of Agent for Service of Process to the Credit Agreement

This Agreement is made by and between:

OJSC Mobile TeleSystems, Moscow, Russian Federation (the "Borrower")

and

HSBC Bank plc, London, United Kingdom

and

ING Bank Deutschland AG, Frankfurt am Main, Federal Republic of Germany

and

Bayerische Landesbank, München, Federal Republic of Germany (each a "Lender" and together the "Lenders").

and

ING Bank Deutschland AG., as Facility Agent (the "Facility Agent")

and

HSBC Bank plc, as Hermes Agent (the "Hermes Agent").

Preamble

- A. On 18 November 2004 the Borrower concluded an amendment to the delivery contract number # 43-525 dated 28 May 2004 providing for an increase to the contract value of USD150,000,000 and on 21 September 2005 the Borrower concluded a delivery contract number 43-625 for an amount of USD70,000,000 (individually the "Amended Export Contract" and the "Export Contract" respectively and together the "Export Contracts") with Alcatel SEL AG, Stuttgart, Federal Republic of Germany (the "Exporter") for the delivery of telecommunication equipment and provision of license products as described in the Export Contracts.
- B. The total contract value of the equipment to be delivered and license products to be provided under the Export Contracts amounts to USD 220,000,000 (the "Total Contract Values").
- C. According to the Export Contracts the delivery of equipment and provision of license products shall be made through the placement of individual orders by way of documents of intent signed by authorised representatives of the Borrower and Exporter, drawn up by the Borrower and accepted for execution by the Exporter. Such orders must be placed by the Borrower with the Exporter under (i) the Amended Export Contract between 6 November 2004 and 30 June 2006 and (ii) under the Export Contract between 21 September 2005 and 31 December 2005. Local services (including but not limited to installation, commissioning and transportation to site) and locally procured supplies will be provided by Alcatel ZAO and are not subject of financing hereunder.
- D. The value of the orders expected to be made by the Borrower under the Export Contracts until 31 December 2005 or such later date as may be agreed between the Borrower and the Exporter amount to USD 133,800,671 being made of USD 82,500,671 in respect of the Amended Export Contract and USD 51,300,000 in respect of the Export Contract and is to be paid, according to the terms of the Export Contracts, as follows:

- (1) 15% down payments
- (2) 85% of the value of each delivery or service (the "Partial Contract Value") provided that a tied buyer's credit is available for financing of the Partial Contract Value, pro rata to deliveries of equipment/provision of license products within 15 or 60 calendar days as specified in the Export Contracts as applicable from the date of such deliveries/provisions.

- E. The Borrower and the Exporter may also agree to enter into a further contract for the supply of additional telecommunications equipment and/or additional license products or to make additional orders under the Export Contracts (in either case the "Additional Export Contract") up to the Total Contract Value, the financing terms of which may provide for additional payments partially being made under the terms of this Credit Agreement.
- F. The total additional contract value of further deliveries to be made or further license products to be provided under the Additional Export Contract (if such Additional Export Contract is agreed) is expected to amount up to USD 18,700,000 (the "Total Additional Contract Value").
- G. The terms of the Additional Export Contract (if agreed) are expected to enable deliveries to be made or license products to be provided through a further series of purchase orders to be issued during 2006.
- H. The Total Additional Contract Value (if the Additional Export Contract is agreed) is expected to consist of 15% downpayments and a portion of 85% as partial additional contract value (the "Partial Additional Contract Value") to be financed hereunder at the option of the Borrower, subject to the agreement of Hermes (as defined below) and the Lenders.

This being premised, it is hereby agreed as follows:

1. Definitions and Interpretations

Additional Export Contract	means an additional contract which may be entered into between the Borrower and the Exporter or additional deliveries to be made or license products to be provided under the Export Contracts as defined in Article E of the Preamble
Additional Insurance Premium	means the premium as defined in Clause 11.3
Additional Repayment Date	means the date(s) as defined in Clause 5.1 d)
Affiliate	means, in relation to any person a Subsidiary of that person, or a Holding Company of that person, or any other Subsidiary of that Holding Company
Agent for Service of Process	means the person or entity as defined in Clause 19.4
Agreed Currency	means the currency as defined in Clause 18
Banking Day	means a day (other than Saturday or Sunday) on which banks are generally open for business in London, Moscow, Frankfurt am Main and Munich
Borrower	means OJSC Mobile TeleSystems, 4 Marksistskaya Street, Moscow 109147, Russian Federation Payment details: foreign currency account No. 40702840500001001817

with ING Bank (Eurasia) ZAO, Moscow 127473, Krasnoproletarskaya Str., 36 SWIFT code INGBRUMM

Credit A	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 1 and Tranche 2
Credit B	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 3 and Tranche 4
Credit or Credits	means the aggregate principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and "Credits" shall include Credit A and Credit B
Credit Agreement	means this agreement
Export Contracts	means the contracts between the Borrower and the Exporter defined in Article A of the Preamble
Exporter	means Alcatel SEL AG, Lorenzstrasse. 10, 70435 Stuttgart, Federal Republic of Germany
Facility Agent	means ING Bank Deutschland AG, Hahnstrasse 49, Frankfurt am Main, Federal Republic of Germany
Hermes	means the German export credit agency Euler Hermes Kreditversicherungs-AG, Hamburg, Federal Republic of Germany
Hermes Agent	means HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom
Holding Company	means, in relation to a person, any other person in respect of which it is a Subsidiary
Insurance Agreement	means the agreement as per Clause 11.1
Insurance Premium	means the premium as defined in Clause 11.2
Interest Payment Date	means the date as defined in Clause 5.2.e)
Interest Period(s)	means the period(s) as defined in Clause 5.1
Judgement Currency	means the currency as defined in Clause 18
Lender(s)	means HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom Payment details: SWIFT MRMDUS33, account number 000-023868 held with HSBC Bank USA, New York, in favour of HSBC Bank plc, London, SWIFT MIDLGB22 account number 36677449 in the name of Project and Export Finance quoting ref 53M/FC1078

and
ING Bank Deutschland AG, Hahnstrasse 49, 60606 Frankfurt am Main, Federal Republic of Germany
Payment details: SWIFT CHASUS33, account number 0011048220 in favour of ING Belgium SWIFT BBRUBEBB account number 301040407777 in favour of ING Bank Deutschland AG / SWIFT INGBDEFF quoting SEF / MTS Alcatel

and
Bayerische Landesbank, Department 6422, Brienner Strasse 18, D-80333 München, Federal Republic of Germany
Payment details: In favour of Bayerische Landesbank / SWIFT — code BYLADEMM account number: 2000193534122 held with: Wachovia Bank NA, New York / SWIFT — code PNBUS3NNYC quoting ref.: 6422 — KANR 76050895 / Russland / MTS - Alcatel

LIBOR	means the interest rate as defined in Clause 5.2.a)
Margin	means the margin as defined in Clause 5.2.a)
Partial Contract Value	means the part of the value of deliveries made or license products provided as defined in Article D of the Preamble
Partial Additional Contract Value	means the part of the value of deliveries made or license products provided as defined in Article H of the Preamble
Passport Bank	means ING Bank Eurasia ZAO, 36, Krasnoproletarskaya ulitsa, 127473 Moscow, Russian Federation or such other bank as approved by the Facility Agent
Reference Banks	means the London Offices of HSBC Bank plc and ING Bank Deutschland AG and Bayerische Landesbank
Repayment Date(s)	means the date(s) as defined in Clause 5.1.d)
Special Payment Procedure	means the special payment procedure provided for under a certain disbursement facility agreement to be entered into by and between the Borrower, the Facility Agent and the Passport Bank
Subsidiary	means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership
Supplemental Insurance Agreement	means the supplemental agreement as per Clause 11.1
Total Assets	means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower's most recent annual consolidated balance sheet delivered in accordance with Clause 14 a)
Total Contract Value	means the aggregate price agreed upon in the Export Contracts for delivery of equipment and provision of license products thereunder as defined in Article B of the Preamble

Total Additional Contract Value	means the aggregate price agreed upon in the Additional Export Contract for deliveries to be made and licensed products provided thereunder as defined in Article F of the Preamble
Tranche 1	means the part of Credit A as defined in Clause 2.2.a) hereof
Tranche 2	means the part of Credit A as defined in Clause 2.2.b) hereof
Tranche 3	means the part of Credit B as defined in Clause 2.2.c) hereof
Tranche 4	means the part of Credit B as defined in Clause 2.2.d) hereof
Tranches	means, collectively, Tranche 1 and Tranche 2 and, if applicable Tranche 3 and Tranche 4 as defined in Clause 2.2
UMC	means Closed Joint Stock Company “Ukrainian Mobile Communications”, 15 Leiptsyzka Street, Kyiv, 01015, Ukraine
UMC Litigation	means any of the claims, proceedings (present or future) and causes of action involving the Borrower, and/or any Affiliate thereof (including UMC) relating to or arising out of the sale of UMC to the Borrower, or the acquisition, reorganization or ownership of UMC by the Borrower.
USD	means the lawful currency of the United States of America

2. Amount and Purpose of the Credits

2.1 The Lenders grant to the Borrower a credit in an aggregate amount of up to:

USD 123,797,863

(in words: United States Dollars one hundred and twenty three million seven hundred and ninety seven thousand eight hundred and sixty three)

(“Credit A”)

With reference to the Additional Export Contract, and subject to the agreement of Hermes, the Lenders may elect in their absolute and free discretion to grant to the Borrower upon its written request a further credit in an aggregate amount of up to:

USD 17,311,827

(in words: United States Dollars seventeen million three hundred and eleven thousand eight hundred and twenty seven)

(“Credit B”)

It is hereby agreed and understood by the Borrower and the Lenders that the Lenders, by entering into this Credit Agreement, do not assume any commitment to grant Credit B but that the granting of such Credit B is at their sole discretion and will only materialise upon the Lenders written approval.

Credit A and Credit B shall hereinafter be referred to individually as a “Credit” or collectively as “Credits”.

2.2 Credits shall consist of:

- a) Tranche 1 in an amount of USD 113,730,570 (in words: United States Dollars one hundred and thirteen million seven hundred and thirty thousand five hundred and seventy) which shall be available for the financing of the Partial Contract Value either (i) still due and payable to the Exporter resulting from delivery of equipment/provision of license products under the Export Contracts, or (ii) payable to the Borrower resulting from delivery of equipment/provision of license products under the Export Contracts for which payment has been made, directly by the Borrower to the Exporter; and
- b) Tranche 2 in an amount of USD 10,067,293 (in words: United States Dollars ten million sixty seven thousand and two hundred and ninety three) which shall be available for the financing of up to 100% of the Insurance Premium for cover of the Lenders' payment claims under the Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to Hermes; and if so applicable
- c) Tranche 3 in an amount of up to USD 15,895,000 (in words: United States Dollars fifteen million eight hundred and ninety five thousand) which shall be available for the financing of the Partial Additional Contract Value either (i) still due and payable to the Exporter resulting from delivery of equipment under the Additional Export Contract, or (ii) payable to the Borrower resulting from delivery of equipment under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; and
- d) Tranche 4 in an amount of USD 1,416,827 (in words: United States Dollars one million four hundred and sixteen thousand eight hundred and twenty seven) which shall be available for the financing of up to 100% of the Additional Insurance Premium for cover of the Lenders' payment claims under the Supplemental Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to Hermes;

unless otherwise stipulated hereinafter, any reference in this Credit Agreement to the Credit shall include the Tranches applicable to that Credit, and to Credits or to credit amounts or to any other similar term shall include the Tranches.

2.3 The amounts borrowed under this Credit Agreement are exclusively available (i) provided that payment of the Partial Contract Value for delivery of equipment/provision of licensed products has been effected by the Borrower to the Exporter prior to fulfilment of all conditions precedent to disbursements / reimbursements under Clause 4 of this Credit Agreement or waiver thereof by the Lenders by means of payment from sources other than this Credit Agreement, for reimbursement thereof to the Borrower; (ii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for reimbursement to the Borrower in the amount of the Partial Contract Value resulting from delivery of equipment or provision of license products under the Export Contracts for which payment has been made directly by the Borrower to the Exporter; (iii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Contract Value resulting from delivery of equipment/provision of license products under the Export Contracts; (iv) for reimbursement to the Borrower of up to 100% of the Insurance Premium paid by the Borrower to the Lenders through the Facility Agent; (v) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for reimbursement to the Borrower in the amount of the Partial Additional Contract Value resulting from further delivery of equipment/provision of license products under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; (vi) in respect of the optional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Additional Contract Value resulting from delivery of equipment/provision of license products under the Additional Export Contract; and (vii) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for reimbursement to the Borrower of up to 100% of the Additional Insurance Premium paid by the Borrower to the Lenders through the Facility Agent.

2.4 Upon and subject to the terms and conditions of this Credit Agreement each of the Lenders shall participate in each disbursement or reimbursement of the Credits in the proportion of its maximum liability mentioned in this Clause 2.4 as percentage of the maximum credit amounts mentioned in Clause 2.1 hereof.

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Credit A
35%, max. USD 43,329,252.05
(in words: United States Dollars forty three million
three hundred and twenty nine thousand two hundred and fifty two
cents five)

Credit B (additional financing)
35%, max. USD 6,059,139.45
(in words: United States Dollars six million fifty nine thousand one
hundred and thirty nine cents forty five)

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

Credit A
35%, max. USD 43,329,252.05
(in words: United States Dollars forty three million
three hundred and twenty nine thousand two hundred and fifty two
cents five)

Credit B (additional financing)
35%, max. USD 6,059,139.45
(in words: United States Dollars six million fifty nine thousand one
hundred and thirty nine cents forty five)

Bayerische Landesbank
Department 6422
Brienner Strasse 18
D – 80333 München
Federal Republic of Germany

Credit A
30%, max. USD 37,139,358.90
(in words: United States Dollars thirty seven
million one hundred and thirty nine thousand three
hundred and fifty eight cents ninety)

Credit B (additional financing)
30%, max. USD 5,193,548.10
(in words: United States Dollars five million one hundred and ninety
three thousand five hundred and forty eight cents ten)

2.5 The Credit shall be made available under exclusion of any joint liability. Therefore, each of the Lenders shall only be responsible for the fulfilment of its own obligations and shall not be liable for the fulfilment of the obligations of the other Lenders under this Credit Agreement. The failure of any of the Lenders to provide funds according to its obligation under this Credit Agreement shall neither release the other Lenders nor the Borrower from any of their respective obligations towards each other hereunder.

3. Disbursements / Reimbursements

3.1 Tranche 1 (and if applicable, Tranche 3) shall be disbursed in credit portions directly to the Borrower or, as the case may be, the Exporter to such account and to such financial institution as specified by the Borrower or, as the case may be, the Exporter to the Facility Agent.

The Borrower hereby irrevocably agrees that - under Clause 3.2.b) below - only the Exporter shall have the exclusive right to request payments under Tranche 1 (and if applicable, Tranche 3) and that such direct payments to the Exporter will constitute disbursements of Tranche 1 (and if applicable, Tranche 3) to the Borrower under this Credit Agreement.

3.2 a) In the event that prior to or after fulfilment of the conditions precedent to disbursements / reimbursements under the Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, payments are made by the Borrower to the Exporter in the amount or amounts of the respective Partial Contract Value (or Partial Additional Contract Value) out of funds other than out of this Credit Agreement in and towards satisfaction and fulfilment of sums due to the Exporter resulting from the Export Contracts, then reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made by the Lenders through the Facility Agent against presentation by the Borrower to the Facility Agent of a certificate as per Annex 1a or 1d hereto in an amount or amounts equal to the aggregate principal amount or amounts of such payments in the maximum amount of the respective Partial Contract Value (or Partial Additional Contract Value) to the Borrower to such account as specified by the Borrower to the Facility Agent.

b) With effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, Tranche 1 (and if applicable, Tranche 3) shall be disbursed directly to the Exporter on a pro rata basis against delivery of equipment/provision of license products in an amount equal to 85% of the value of such deliveries/provision of license products only upon presentation by the Exporter to the Facility Agent of a certificate as per Annex 1b hereof and of the following documents:

In case of delivery of equipment

- a copy of the commercial invoice issued by the Exporter;
- CMR or airway bill or post/courier receipt, as the case may be relating to such equipment.

In case of provision of license products

- a copy of the commercial invoice issued by the Exporter;
- a copy of the written notice sent by the Exporter to the Borrower confirming the granting of the license products.

The Facility Agent shall accept and make disbursements against the aforementioned documents as they are being presented to it without any obligation of examination thereof; in particular the Facility Agent shall not be obliged to verify whether or not any documents delivered to it under this Clause 3.2.b) are in compliance with the Uniform Customs and Practices for Documentary Credits, 1993 Revision, ICC Publication No. 500.

3.3 Disbursements / reimbursements under Tranche 1 (and if applicable, Tranche 3) as per Clause 3.2 shall be made in minimum amounts of USD 1,000,000.00 provided, however, that, in the event that 85% of the value of any documents presented to the Facility Agent during a calendar month for

disbursements under Tranche 1 (and if applicable, Tranche 3) or the amount mentioned in a reimbursement certificate as per Annex 1a or 1d, as the case may be, is less than the aforementioned minimum amount, disbursements or reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made at the end of the relevant calendar month in one amount equal to 85% of the aggregate value of all documents or equal to the aggregate value of all certificates, as the case may be, received by the Lenders during that month in relation to which disbursements or reimbursements under Tranche 1 (and if applicable, Tranche 3) have not previously been made.

- 3.4 Disbursement under Tranche 2 (and if applicable, Tranche 4) for the financing of up to 100% of the Insurance Premium (or as the case may be, the Additional Insurance Premium) shall in either event, whether the Insurance Premium has become due and payable prior to or after the fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent, acting on behalf of the Lenders, and provided that the Borrower has paid the total amount of the Insurance Premium (or the Additional Insurance Premium) to the Facility Agent as per Clause 11.2 hereof, be made without any request or action by the Borrower upon fulfilment of the conditions precedent to disbursements / reimbursements or waiver thereof by the Lenders through the Facility Agent to the Borrower to such account as will be specified by the Borrower to the Facility Agent.
- 3.5 Each disbursement or reimbursement of the Credits or any portion thereof under this Credit Agreement shall be made at the latest on the 5th Banking Day after all conditions precedent applicable to such disbursement or reimbursement pursuant to Clause 4 hereof have been fulfilled or waived, as the case may be, and provided that the Lenders through the Facility Agent have not exercised any of their rights under Clause 12 hereof.
- 3.6 Unless otherwise instructed by Hermes, the Lenders may (but are not obliged to do so) refuse to disburse the Credits or any portion thereof after the due date of the first repayment instalment laid down in Clause 8 hereof. The Credits will then be reduced by the corresponding amount.
- 3.7 The Borrower may - in case of disbursements according to Clause 3.2.b) - only waive disbursement of the Credits, in full or in part, with the prior written consent of the Lenders and the Exporter.

4. Conditions Precedent to Disbursements / Reimbursements

4.1 In relation to Credit A

The first disbursement or reimbursement under Credit A of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a legal opinion to be issued by Freshfields Bruckhaus Deringer, Moscow, Russian Federation;
- b) a written confirmation in accordance with Annex 2 hereof certifying that the Export Contracts have come into force;
- c) a specimen signatures list as per Annex 4 hereof with the specimen signatures of such persons authorised by the Borrower to act on its behalf in connection with this Credit Agreement and such other documents which, pursuant to mandatory provisions under German, Dutch or English law, are required by the Lenders and/or the Facility Agent to open and to maintain a credit account on behalf of the Borrower such documents to be specified by the Lenders and/ or the Facility Agent without any undue delay in writing;
- d) a copy of the executed Export Contracts;

- e) an undertaking by the Exporter in favour of the Lenders with regard to certain risks and obligations not covered by the Insurance Agreement as per Clause 11.1 hereof;
- f) a certificate as per Annex 1a, 1b, 1c, 1d or 1e , as the case may be;
- g) confirmation issued by the Passport Bank certifying its appointment by the Borrower as Passport Bank;
- h) evidence that the down payment referred to in Article D of the Preamble has been made to the Exporter by the Borrower; and
- i) such other certificates and documentation and other evidence reasonably requested by the Lenders in order for them to carry out and be satisfied with the results of all necessary “know your customer” or similar requirements, including those reasonably required to ensure compliance with money laundering procedures in their relevant jurisdictions.

In relation to Credit B (if applicable)

The first disbursement or reimbursement under Credit B of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a written confirmation issued by Freshfields Bruckhaus Deringer, Moscow, as Lenders’ counsel confirming that the original legal opinion rendered under Clause 4.1.a) above is applicable mutatis mutandis to this Credit Agreement as increased by Credit B, such confirmation stating inter alia that all necessary permits, authorisations and registrations in the Russian Federation have been obtained;
- b) a copy of the executed Additional Export Contract;
- c) a written confirmation in accordance with Annex 2 hereof certifying that the Additional Export Contract has come into force; and
- d) an undertaking by the Exporter in favour of the Lenders with regard to certain risks and obligations not covered by the Supplemental Insurance Agreement as per Clause 11.1 hereof.

4.2 Furthermore, the first disbursement or reimbursement under Credit A or, if applicable Credit B, is conditional upon receipt by the Lenders of the following payments:

- a) payment of the fee as per Clause 6.2 hereof in the case of Credit A and, payment of additional fees pursuant to Clause 6.4 hereof in the case of Credit B;
- b) payment of 100% of the Insurance Premium and, as the case may be, 100% of the Additional Insurance Premium;

4.3 Moreover, the first disbursement under this Credit Agreement by way of direct disbursement to the Exporter as per Clause 3.2.b) is subject to such disbursement procedure being in full and strict compliance with the Russian laws (in particular but not limited to the Law on Currency Regulation and Currency Control dated 10 December 2003); such compliance to be evidenced to the Lenders

in form and substance satisfactory to the Lenders.

- 4.4 Each reimbursement under Tranche 1 or Tranche 3 as per Clause 3.2. a) hereof is furthermore subject to evidence satisfactory to the Lenders that payments were made by the Borrower for deliveries of equipment/provision of license products under the Export Contracts or the Additional Export Contract, as the case may be, and have been received by the Exporter in amounts corresponding to those mentioned in the relevant reimbursement certificate in form and substance as per Annex 1a or 1d, as the case may be, hereto.
- 4.5 Each disbursement or reimbursement under this Credit Agreement is subject to the condition that the Insurance Agreement and, as the case may be, the Supplemental Insurance Agreement, as per Clause 11.1 is in full force and effect and covers the Lenders' claims under this Credit Agreement.
- 4.6 The Lenders through the Facility Agent shall together be entitled to waive any one or more of the aforementioned conditions precedent to disbursements / reimbursements as the Lenders at their sole discretion deem fit, whereupon — unless otherwise notified in writing by the Facility Agent to the Borrower - any such condition precedent shall be deemed to constitute a condition subsequent which the Borrower undertakes to satisfy within such period of time which the Facility Agent may reasonably determine.
- 4.7 The Facility Agent will notify the Borrower and the Exporter without delay in writing of the fulfilment of the conditions precedent to first disbursement or reimbursement and, if applicable, conditions subsequent.
5. Interest Periods, Interest, Increased Costs
- 5.1 For the purpose of periodical calculation of interest and its payment by the Borrower as determined hereinafter, each interest period (the "Interest Period") shall be of a duration of 6 months, provided that:
- a) the first Interest Period in respect of the first disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end 6 months after the date of that disbursement or reimbursement subject to 5.1 d and 5.1 e below;
 - b) the first Interest Period in respect of any subsequent disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end upon expiry of the then current Interest Period relating to the respective Credit A or Credit B, as the case may be;
 - c) each subsequent Interest Period shall commence on the expiry of the preceding Interest Period;
 - d) any Interest Period which would otherwise extend beyond the due date of any repayment instalment pursuant to Clause 8.1 of this Credit Agreement (any such repayment date hereinafter referred to as a "Repayment Date" or "Additional Repayment Date", if applicable) shall be shortened to the extent necessary to end upon such Repayment Date or Additional Repayment Date, as the case may be;
 - e) any Interest Period which would otherwise end on a day which is not a Banking Day shall end on the next Banking Day unless the result of such extension would be to carry such Interest Period over into another calendar month, in which event such Interest Period shall end on the preceding Banking Day.
- 5.2 a) Subject to Clause 5.2 d) below, for as long as any principal amounts repayable under this Credit Agreement remain outstanding, the Borrower shall pay to the Lenders through the Facility Agent for each Interest Period on each credit amount outstanding interest at a rate per annum to be the aggregate of (i) a margin of 0.30% p.a. (in words zero point three zero per

cent per annum) (the “Margin”) and (ii) the London Interbank Offered Rate (“LIBOR”) relating to such Interest Period (rounded upwards - if necessary - to a full month).

LIBOR shall mean, in relation to such Interest Period, the rate per annum determined by the Facility Agent to be equal to the arithmetic mean (rounded upwards, if necessary, to five decimal places) of the London interbank offered rates for deposits of USD for a period equal to such period as are displayed at or about 11.00 a.m. (London time) on the second Banking Day prior to the commencement of such period on the relevant page on the Reuter Monitor Money Rates Services (or such other page as may replace such page on such service for the purpose of displaying London interbank offered rates of leading banks for deposits of USD) or, if on such date the offered rates for the relevant period of fewer banks than two leading banks are so displayed, as quoted to the Facility Agent by each of the Reference Banks at the request of the Facility Agent and calculated on the above mentioned basis. Interest (Margin plus LIBOR), as specified under this Clause 5.2(a) in due from the Borrower exclusively against delivery to the Borrower of the related invoices (originals) and the original (apostilled and with notarised translation into Russian) residency certificate for the Lenders and/or the Facility Agent, depending on the Borrower’s request. Each Lender and the Facility Agent hereby undertake prior to issuance of the relevant invoices to the Borrower for the purposes of this Clause 5.2(a) to agree with the Borrower in written correspondence on whether the Russian VAT shall apply to a receipt by, or payment to the Lender(s) and/or the Facility Agent due from the Borrower under this Clause 5.2(a), as may be required under the Russian law.

- b) The Facility Agent shall promptly advise the Borrower in writing by letter or means of telecommunication of the rate of interest determined from time to time as per Clause 5.2.a) hereof and of the amount of interest to be paid at the end of the respective Interest Period, provided that to the extent the interest rate determined by the Facility Agent, as specified in Clause 5.2.b), is reasonable, proven and objective, no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations hereunder.
- c) The rate of interest as stipulated in Clause 5.2.a) shall always apply without any further request, communication or whatsoever as far and as long as no rate of interest is applicable in accordance with Clause 5.2.d) hereof.
- d) For all amounts outstanding under this Credit Agreement the Lenders shall, upon the Borrower’s request and subject to receipt of the Lenders’ internal approvals, offer a fixed interest rate (the Lenders using their best efforts to ensure that such rate is commercially reasonable) for the whole remaining amount and lifetime of the Credits provided that:
 - (i) the last disbursement or reimbursement under the Credit Agreement has been effected, in the case of either Credit A or Credit B,
 - (ii) the exact Repayment Dates for the repayment instalments of the Credits stand firm in the case of either Credit A or Credit B,
 - (iii) the Borrower’s request in the form of Annex 1f hereto has been received by the Facility Agent at the latest 15 Banking Days prior to the next Repayment Date and,
 - (iv) corresponding funds in like amounts and for a duration equivalent to the term of the Credits under this Agreement are available to the Lenders.

Such fixed interest rate takes binding effect for the period starting with the next Repayment Date and ending on the last Repayment Date for the Credits, in the case of either Credit A or Credit B, as may be the case, provided that the Facility Agent has received the Borrower’s agreement to the fixed rate offered by the Lenders through the Facility Agent within the validity period of such offer.

- e) Interest on any credit amounts outstanding shall accrue from day to day and be calculated on

a per annum basis from the date of each disbursement or reimbursement until the date on which the respective repayment instalment is unconditionally credited on the account specified in or to be indicated by the Facility Agent in accordance with Clause 9.1 hereof. Interest on any credit amounts outstanding shall be paid by the Borrower in arrears on each Interest Payment Date (each "Interest Payment Date" being, (i) in the case of an interest rate applicable as per Clause 5.2 a), the last day of any and each Interest Period; and (ii) in case of a fixed interest rate applicable as per Clause 5.2 d) hereof each Repayment Date).

- 5.3 Subject to Clause 5.5 (Exceptions), if by reason of any change occurring after the date of this Credit Agreement in any law, regulation, treaty or official directive (whether or not having the force of law) or the interpretation or application thereof (including but not limited to any reserve, deposit or similar requirements) and for compliance by the Lenders and/or the Facility Agent with any legally binding requirement of any central bank or other governmental or monetary authority arising after the date of this Credit Agreement any of the Lenders incur any Increased Costs (as defined hereinafter), then, in any such case, the Borrower shall pay to the Facility Agent for account of the Lenders within thirty days of a demand by the Facility Agent such amounts of the Increased Costs as the Lenders through the Facility Agent shall specify to be necessary to compensate the Lenders for such increase or such reduction.

In this Agreement "Increased Costs" means:

- (i) a reduction in the rate of return from the Credits or on a Lender's overall capital;
- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under the Credits,

which is incurred or suffered by a Lender to the extent that it is attributable to that Lender having entered into this Credit Agreement or funding or performing its obligations under it.

- 5.4 A Lender intending to make a claim pursuant to Clause 5.3 (Increased Costs) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower. Each Lender shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs and the circumstances giving rise to the claim.

- 5.5 Clause 5.3 (Increased Costs) does not apply to the extent any Increased Cost is:

- (i) compensated for under another Clause or would have been but for an exception to that Clause;
- (ii) a tax, levy, duty, charge or fee of whatever nature on the overall net income of a Lender or attributable to any deduction or withholding for or on account of any tax, levy, duty, charge or fee of whatever nature required by law to be made by the Borrower (provided that nothing in this sub-clause 5.5 (ii) reduces the Borrower's Liability to make any payment on account of any tax, levy, duty, charge or fee required pursuant to Clause 10); or
- (iii) attributable to a Lender being grossly negligent or wilfully failing to comply with any law or regulation or official administration order or court decision.

6. Fees

- 6.1 From the date of this Credit Agreement until disbursement of Credit A in full, the Borrower shall pay to the Lenders through the Facility Agent a commitment fee at a rate of 0.10% p.a. (in words: zero point one zero per cent per annum) calculated on a daily basis on such portion of the maximum amount of Credit A not yet disbursed at any time. The commitment fee is payable pro

rata in arrears (i) prior to the first disbursement or reimbursement on June 30 and December 30 of each year; and (ii) with effect from the first disbursement or reimbursement on each Interest Payment Date.

- 6.2 The Borrower will pay to the Lenders (in their capacity as mandated lead arrangers) through the Facility Agent an arrangement fee of 0.20% flat (in words: zero point two zero per cent flat) calculated on the maximum amount of Credit A mentioned in Clause 2.1 hereof.

The arrangement fee is due prior to the first disbursement or reimbursement under the Credit Agreement, at the latest however, within 30 days after the date of this Credit Agreement.

- 6.3 From the date of this Credit Agreement until all monies owing by the Borrower are fully repaid to the Lenders, the Borrower shall pay to the Facility Agent an agency fee of USD 10,000 per annum on the date of signature of this Credit Agreement and annually thereafter on the anniversary date of this Credit Agreement.

- 6.4 Clauses 6.1 and 6.2 shall apply mutatis mutandis in case of Credit B being made available by the Lenders to the Borrower whereas calculation of the additional commitment fee shall start on the date on which the Lenders will have approved the granting of Credit B to the Borrower in writing; the additional arrangement fee shall be paid within 30 days after the date of such approval, at the latest, however, prior to disbursement or reimbursement under Credit B.

7. Calculation of Periods

For the purpose of calculating interest, commitment fee and other payment obligations based on periods of time, a year will be calculated on the basis of the actual number of days elapsed and a year of 360 days.

8. Repayment and Prepayment

8.1 Credit A

The credit amounts disbursed under Credit A are to be repaid in 17 equal and consecutive semi-annual repayment instalments; the first of which will be due on the earlier of (i) the date falling 6 months after the date of the mean-weighted date of delivery of equipment and license products to be evidenced concurrently to the Borrower and the Lenders (by delivery as specified in Clause 16.1 hereunder) by a certificate in accordance with Annex 3a hereof; and (ii) 31 August 2006. Credit amounts disbursed after the first Repayment Date under Credit A shall be repaid in equal amounts on the remaining Repayment Dates; the repayment instalments which then have not yet become due will be increased accordingly and the Facility Agent shall promptly, upon its drawing up thereof however, at the latest 20 Business Days prior to the next Repayment Date, deliver an updated repayment schedule to the Borrower showing the amounts of repayment instalments due on each subsequent Repayment Date, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations under this Credit Agreement.

Credit B

If applicable, the credit amounts disbursed under Credit B will be repaid in 17 equal and consecutive semi-annual repayment instalments; the first of which will, depending on the respective Hermes approval, either be due on the earlier of (i) the date falling 6 months after the date of the mean-weighted acceptance of equipment and license products relating to the deliveries made under the Additional Export Contract, to be evidenced by a certificate in accordance with Annex 3b hereof, or (ii) a certain latest date still to be agreed upon prior to the first disbursement under Credit B, subject to Hermes approval, in each such case as advised to the Borrower by the Facility Agent. Credit amounts disbursed after the first Additional Repayment Date under Credit B shall be repaid in equal amounts on the remaining Additional Repayment Dates; the repayment instalments which then have not yet become due will be increased accordingly and the Facility

Agent shall promptly, upon its drawing up thereof, however, at the latest 20 Business Days prior to the next Additional Repayment Date, deliver an updated repayment schedule to the Borrower showing the amounts of repayment due on each subsequent Additional Repayment Date, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations under this Credit Agreement.

- 8.2 Where the interest rate defined in Clause 5.2 a) applies, the Borrower shall be entitled upon 30 days' prior notice to the Facility Agent to prepay on any Interest Payment Date, in full or in part, any credit amounts outstanding together with interest accrued thereon and any other amounts then due under the Credit Agreement. Any such notice of the Borrower shall be irrevocable and binding and obliges the Borrower to repay the credit amounts in accordance with its notice of prepayment. In case of partial prepayments, any partial amount repaid may be applied by the Facility Agent in the inverse order of their maturities.

Any amount prepaid in accordance with this Clause 8.2 may not be reborrowed.

- 8.3 Where the interest rate in Clause 5.2 d) applies, prepayment of any amounts not yet due according to this Credit Agreement is not permitted.

- 8.4 Prior to the first Repayment Date the Facility Agent shall furnish the Borrower with a repayment schedule which sets out the Repayment Dates and the amount of repayment instalments to be paid on each such Repayment Date or Additional Repayment Date, if applicable, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its obligations hereunder. In case of the granting of Credit B and if a repayment schedule in relation to Credit A has already been delivered at such time, the Lenders shall furnish the Borrower with a revised repayment schedule or an additional repayment schedule, as the case may be. All other stipulations of the preceding sentence shall apply mutatis mutandis to such revised or additional schedule.

9. Payments

- 9.1 All payments to be made by the Borrower to the Lenders through the Facility Agent under this Credit Agreement shall be made in USD without any deduction not later than 10.00 a.m. local time on the respective due date at the Facility Agent's free disposal to the account of the Facility Agent held with Chase Manhattan Bank, SWIFT CHASUS33, account number 0011048220 in favour ING Belgium SWIFT BBRUBEBB account number 301040407777 in favour of ING Bank Deutschland AG / SWIFT INGBDEFF quoting ref. SEF/MTS Alcatel or such other account with such other financial institution as notified by the Facility Agent to the Borrower.

- 9.2 The Borrower shall not be entitled to exercise any right of retention or to set off any counterclaims against claims arising from this Credit Agreement against any Lender unless such counterclaims exist against the Lender that the Borrower exercises the right of retention or set off against, and such counterclaims have been accepted by that Lender in writing or have otherwise been adopted or consistently relied upon.

- 9.3 If the Facility Agent receives a payment insufficient to discharge all the amounts then due and payable by the Borrower under this Credit Agreement, the Facility Agent on behalf of the Lenders shall, notwithstanding any converse instruction given by the Borrower, apply incoming payments in the following order:

- (i) firstly, in or towards any costs and expenses due and payable hereunder;
- (ii) secondly, in or towards payment of any fees due and payable hereunder;
- (iii) thirdly, in or towards payment of any default interest and/ or indemnification then due and payable as provided for in Clauses 9.4 and 9.5;
- (iv) fourthly, in or towards payment of any contractual interest due and payable hereunder;
- (v) fifthly, in or towards repayment of any principal amount due and payable hereunder;
- (vi) sixthly, in or towards payment of any other amount (including any indemnification other than such as under Clause 9.5) due and payable hereunder.

- 9.4 The Lenders through the Facility Agent shall be entitled to demand on repayment instalments overdue default interest at a rate which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time.
- 9.5 The Lenders through the Facility Agent shall be entitled to demand on amounts overdue other than repayment instalments, a lump sum indemnification which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time.
- 9.6 All payments owed by the Borrower as per Clauses 9.4 and 9.5 shall be made immediately upon the Facility Agent's first demand except when under the applicable Russian currency regulations the Borrower is required to reserve a particular amount of payment at a special account prior to proceeding with a transfer of such amounts to the benefit of the Facility Agent. In the latter case the delay in payment shall not exceed the particular reservation period specified in the Russian currency regulations applicable to the Borrower..
- 9.7 If a due date on which a payment of the Borrower must have been received at the free disposal of the Facility Agent is not a Banking Day, the next succeeding Banking Day shall be the due date, unless such Banking Day falls into a new calendar month in which event the due date shall be the preceding Banking Day. The obligations of the Borrower to pay interest and fees shall accrue accordingly.

10. Taxes, Levies, Duties and Other Costs

10.1 Definitions

a) In this Credit Agreement

“Protected Party” means a Lender which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under this Credit Agreement.

“Qualifying Lender” means a Lender which is situated for tax purposes in (i) the Russian Federation, (ii) in a Tax Treaty Jurisdiction or (iii) in the United Kingdom or the Federal Republic of Germany.

“Tax” means any tax, levy, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Tax Credit” means a credit against, relief or remission for, or repayment of any Tax.

“Tax Deduction” means a deduction or withholding for or on account of Tax from a payment under this Credit Agreement.

“Tax Payment” means an increased payment made by the Borrower to a Lender under Clause 10.2 or a payment under Clause 10.3.

“Tax Treaty Jurisdiction” means a jurisdiction which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian Federation has succeeded) which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction.

- b) Unless a contrary indication appears, in this Clause 10 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

10.2 Tax Gross up

- a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. Upon receipt by the Facility Agent of such notification from a Lender, the Facility Agent shall notify the Borrower.
- c) Subject to paragraph d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower to the Lenders shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- d) The Borrower is not required to make an increased payment to a Lender under paragraph c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to that Lender without a Tax Deduction if that Lender was a Qualifying Lender, but on that date that Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became a Lender under the Credit Agreement in (or in the interpretation, administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).
- e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in such amount as required by law.
- f) The Borrower shall pay to the relevant taxation or other authorities within the period for payment permitted by applicable law the full amount of the deduction or withholding (including but without prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any additional amount paid pursuant to this sub-clause).
- g) Promptly upon making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Facility Agent for a Lender entitled to the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10.3 Tax Indemnity

- a) The Borrower shall promptly pay to a Protected Party through the Facility Agent an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of this Credit Agreement.
- b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Lender:
 - (A) under the law of the jurisdiction in which that Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Lender is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Lender's facility office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Lender; or

(ii) to the extent a loss, liability or cost:

(C) is compensated for by an increased payment under Clause 10.2; or

(D) would have been compensated for by an increased payment under Clause 10.2 but was not so compensated solely because one of the exclusions in paragraph d) of Clause 10.2 applied.

- c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.
- d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 10.3, notify the Facility Agent.

10.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Lender determines that:

- (a) A Tax Credit is attributable to that Tax Payment; and
- (b) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall (within three Business Days of demand by the Borrower) pay through the Facility Agent an amount to the Borrower which that Lender determines will leave the Lender (after that payment) in the same after-tax position as it would have been in had the Tax Payment not been made by the Borrower.

However, if the relevant Lender should be obliged by any law, regulation or court or any other official decision to repay any Tax Credit obtained by such Lender and paid to the Borrower pursuant to the preceding paragraph, or if any such Tax Credit should otherwise be officially revoked, the Borrower shall promptly upon demand of such Lender and against reasonable evidence of such repayment obligation or revocation, as the case may be, refund the respective Lender through the Facility Agent of such amount.

- 10.5 Without prejudice to the Borrower's obligations/the Lenders' rights according to Clause 10.2 and 10.3, in the event of withholding taxes being imposed in the Russian Federation on payments due under this Credit Agreement that are eligible for exemption and provided that the Borrower and/or the Lenders can claim such exemption with the result that they are released from any obligation to pay such taxes, the Borrower hereby undertakes to apply with the competent authorities in the Russian Federation to be exempted and released from such taxes and to provide the Facility Agent with a tax exemption certificate or any other evidence of such tax exemption, all in form and substance as reasonably may be required by the Lenders through the Facility Agent. In turn, in order to enjoy the benefits of an applicable convention on avoidance of double taxation each Lender undertakes to submit to the Borrower a certificate of its residence in the form and in the manner required by Russian Law, provided that any expenses incurred by a Lender in doing so shall be borne by the Borrower. The form of the certificate as well as its main items shall be advised by the Borrower to the Facility Agent reasonably in advance.

- 10.6 Without prejudice to the Lenders' rights under this Credit Agreement, in particular under this

Clause 10, the Borrower shall pay to, or reimburse the Lenders through the Facility Agent upon demand for (i) any stamp duties, registration fees and similar taxes and charges in connection with this Credit Agreement and (ii) all legal fees (including VAT) and out-of-pocket expenses incurred by the Lenders and/or the Facility Agent in connection with the negotiation, preparation, documentation and execution of this Credit Agreement provided that in relation to Credit A only all such fees and expenses shall not exceed USD 15,000.00 (plus VAT and disbursements, plus costs for required translation of any of the finance documents related to this Credit Agreement into the Russian language) and (iii) any costs, including lawyer's fees and taxes arising thereon, in connection with the preservation and enforcement of the Lenders' rights under this Credit Agreement.

10.7 Each Lender and the Facility Agent hereby undertake prior to the issuance of any invoice(s) to the Borrower to discuss the invoicing procedure with the Borrower in written correspondence and hereby further undertakes to provide the Borrower upon its request as soon as reasonably practicable with original invoice(s) and an original (updated) residency certificate (apostilled and together with a translation into Russian).

11. Guarantee of the Federal Republic of Germany for tied Buyer's Credits

11.1 The Hermes Agent on behalf of the Lenders has applied for insurance cover of 95% of the Lenders' claims arising from this Credit Agreement by the Federal Republic of Germany, represented by Hermes by means of an insurance agreement (the "Insurance Agreement"). Credit A will be made available on the basis of such Insurance Agreement and the terms and conditions governing it. In the event that additional insurance cover is provided by Hermes for the purposes of financing being made available for Credit B hereunder, then Credit B will be made available on the basis of such supplemental insurance ("Supplemental Insurance Agreement") and the terms and conditions governing it.

Lenders are entitled to give information on the Credit Agreement and the transactions contemplated thereby to the competent authorities of the Federal Republic of Germany and the European Union and to allow such authorities perusal of all records that may be connected with this Credit Agreement and to furnish them with copies thereof.

11.2 The Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the aggregate amount of premiums and charges (the "Insurance Premium") payable by the Lenders through the Facility Agent to Hermes under the Insurance Agreement for insurance cover of their payment claims arising from Credit A of this Credit Agreement.

The Insurance Premium shall be paid by the Borrower immediately upon written demand by the Facility Agent in accordance with Annex 1c or Annex 1e, as the case may be, provided that the insurance premium is payable (and is either already due or will become due shortly) by the Lenders to Hermes under the Insurance Agreement.

11.3 In the event that additional financing in the form of Credit B is made available to the Borrower, the Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the additional amount of premiums and charges (the "Additional Insurance Premium") payable by the Lenders through the Facility Agent to Hermes under the Supplemental Insurance Agreement for additional insurance cover of their payment claims arising from Credit B of this Credit Agreement. The second paragraph of Clause 11.2 shall apply mutatis mutandis hereto.

11.4 Prior to the first Repayment Date under this Credit Agreement or - in case of disbursements or reimbursements after such date - upon disbursement in full of the Credits, the Facility Agent will procure the recalculation by Hermes of the amount of Insurance Premium (or as applicable, the amount of Additional Insurance Premium) payable to Hermes and will provide the Borrower with reasonable evidence of the correctness of such recalculation if the Insurance Premium (or as applicable, the Additional Insurance Premium) payable for cover with respect to this Credit Agreement does not equal the aggregate amounts which the Borrower has paid to the Facility Agent as per Clause 11.2 or, as the case may be, Clause 11.3 hereof towards reimbursement of such

Insurance Premium (or as applicable the Additional Insurance Premium).

If the aggregate amount reimbursed by the Borrower is more than the respective Insurance Premium (or if applicable, the Additional Insurance Premium), on the Interest Payment Date following the date on which the Lenders have received the excess amount from Hermes the Lenders through the Facility Agent will refund the excess amount to the Borrower. Payment of the excess amount to the Borrower as per the preceding sentence shall be made by the Lenders through the Facility Agent by application of the amounts thus to be refunded to the Borrower towards partial prepayment of the Credit disbursed and then still outstanding under this Credit Agreement. In order to achieve the purpose laid down in this paragraph on the due date thereof the excess amount to be paid to the Borrower shall — at the option of the Lenders either equally and proportionally or in the inverse order of maturities — be set off by the Lenders against repayment instalments then still outstanding under this Credit Agreement without any prior notice by the Lenders to the Borrower with regard thereto. The Lenders through the Facility Agent will inform the Borrower without delay of any such set-off.

If the aggregate amount paid by the Borrower towards reimbursement against the respective Insurance Premium (or if applicable, the Additional Insurance Premium) was less than the Insurance Premium (or if applicable, the Additional Insurance Premium) payable by the Lenders, the Borrower undertakes upon request of the Facility Agent within 30 calendar days to pay to the Facility Agent the balance in favour of the Lenders.

12. Suspension of Disbursement, Payments Immediately Due (Events of Default)

12.1 The Lenders acting through the Facility Agent shall be entitled to suspend each and/or any future disbursement of the Credits in whole or in part, and/or to terminate this Credit Agreement, and/or to demand immediate repayment of all credit amounts outstanding, as well as the payment of all interest and fees accrued thereon, any charges and other claims incidental thereto, if:

a) the Borrower fails to fulfil any payment obligation whether in respect of principal, interest or any other amount under this Credit Agreement when due and payable unless

- (i) its failure to pay is caused by administrative or technical error; and
- (ii) payment is made within three Banking Days of the due date;

or

b) the Borrower breaches or fails to fulfil any other obligation under this Credit Agreement and in case of any such breach or failure capable of being remedied, such failure or breach is not remedied within 10 Banking Days after the Facility Agent has notified the Borrower in writing of such failure or breach;

or

c) any representation, warranty or statement in this Credit Agreement or any other document provided by the Borrower under the terms of this Credit Agreement is or proves to be or to have been incorrect or untrue in any material respect at any time during the term of this Credit Agreement and in case that such incorrectness is capable of being remedied - whereas the determination of such capability shall be upon the sole but reasonable discretion of the Lenders - such incorrectness is not cured within 15 Banking Days after the Facility Agent has notified the Borrower in writing of such incorrectness;

or

d) the Borrower shall fail to pay when due or within any applicable period of grace any indebtedness owed to any of the Lenders or to any other creditor, provided, however, that in relation to any such indebtedness owed by the Borrower to any creditor other than any of the Lenders (including any of their Affiliates) such failure by the Borrower shall not constitute an

event of default under this sub-clause if (i) the overdue amounts in relation to the Borrower in aggregate do not exceed USD 10,000,000.00 or the equivalent thereof in any other currency, or (ii) in the event of any such failure by the Borrower exceeding the aforementioned amount any such default is remedied (including by waiver or amendment) within 15 calendar days after the due date of the respective payment obligation or after lapse of any applicable period of grace unless the respective creditor accelerates the relevant indebtedness before;

or

- e) at any time it shall become unlawful for the Borrower (provided that such event, if capable of being cured in the reasonable opinions of the Lenders, is not cured within 30 Business Days from the date it became unlawful) to perform any or all of its obligations under this Credit Agreement (including, without limitation, any governmental or other consent, licence or authorisation required to make this Credit Agreement legal, valid, binding and enforceable, or required at any time to enable the Borrower to perform its obligations under this Credit Agreement, ceasing to be in full force and effect);

or

- f) any material provision of this Credit Agreement is or becomes invalid or unenforceable;

or

- g) the Borrower shall enter into voluntary suspension of payments, bankruptcy, liquidation or dissolution, or shall become insolvent, or a receiver or liquidator shall be appointed on all or any material part of the undertaking or assets of the Borrower or proceedings are commenced by or against the Borrower under any law or regulation providing for any reorganisation, arrangement, readjustment of debts, dissolution or liquidation or any act shall be done or event shall occur which under the laws of the relevant jurisdiction has a substantially similar effect to any of the foregoing act or event, provided that an event of default will not occur under this sub-clause g) in respect of any petition or application being initiated or commenced by any person other than the Borrower if the petition or application is - in the sole discretion of the Lenders - frivolous or vexatious and is withdrawn or rejected within 30 calendar days from the date of such application and before a court order for the commencement of any such procedure has been made;

or

- h) the Borrower admits its inability to meet its payment obligations to any of the Lenders or to any other creditor or to convert the funds necessary to effect such payments into the currency payable under agreements with parties domiciled outside of its country or to transfer such payments, or the Borrower admits - towards any of the Lenders - its unwillingness with regard to any of the aforementioned actions;

or

- i) any material adverse change shall occur in the financial condition or operations, assets, prospects, business or the legal status of the Borrower such that it is reasonably likely that the Borrower may not, or will be unable to perform or observe its obligations under this Credit Agreement,

provided, however, that in case of the occurrence of any of the events as stipulated in sub-clauses a), b), c) and d) of this Clause 12.1, for so long as such events are continuing the Lenders through the Facility Agent shall be entitled to suspend disbursements / reimbursements under this Credit Agreement prior to the expiry of the grace period for remedy of the relevant events of default.

- 12.2 Insofar as any statements made by the Facility Agent according to Clause 12.1 are sent by airmail (with a copy by fax), these statements shall be deemed to have been received not later than on the

10th Banking Day after their dispatch. If such statements are made by means of telecommunication, the day following their dispatch shall be deemed as the date of receipt.

13. Representations and Warranties

The Borrower hereby represents and warrants to the Lenders that

- a) the Borrower is a corporation duly incorporated under the laws of the Russian Federation, validly existing and in good standing;
- b) the Borrower has the power to own its assets and carry on its business as it is being conducted;
- c) the Borrower is not entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in the Russian Federation in relation to this Credit Agreement;
- d) the Borrower has full power and legal right to execute, deliver and to perform this Credit Agreement;
- e) the execution, delivery and performance of this Credit Agreement will not violate any provisions of, and have duly and validly been authorised under, the laws, regulations, orders and decrees of the Russian Federation or any other competent Russian authority and all consents, licences, approvals, authorisations and instrumentalities of, and registrations and/or declarations with any authority within the Russian Federation required in connection with the valid execution, delivery, performance or enforceability of this Credit Agreement (including without limitation the obtaining and transfer in USD of all amounts due under this Credit Agreement) have been obtained and made and are in full force and effect;
- f) each action necessary under the statutes of the Borrower or under any other agreement or instrument binding on the Borrower to authorise the execution, delivery and/or performance of this Credit Agreement has been duly taken and the execution, delivery and performance of this Credit Agreement will not conflict with, or constitute a breach of the statutes of the Borrower or any such agreement or instrument binding upon the Borrower;
- g) the Borrower is not in default under any agreement or instrument constituting present or future payment obligations as debtor, surety or guarantor;
- h) other than the UMC Litigation no litigation, administration or insolvency proceedings are pending or, to the knowledge of the Borrower are threatened, which adversely determined, would reasonably be expected to have a material adverse effect on the assets or financial condition of the Borrower or on its right or ability to perform its obligations hereunder or would affect the legality, validity or enforceability of this Credit Agreement; and
- i) all its payment obligations in connection with this Credit Agreement rank at least pari passu in point of preference and security with all other unsecured and unsubordinated existing and future indebtedness owed to any creditor other than the Lenders, except for any preference being due to mandatory law.

14. Financial Statements, Information and Undertakings (Covenants)

Until such date as all obligations incurred under this Credit Agreement have been fulfilled in full, the Borrower shall:

- a) furnish the Facility Agent within 6 months from the end of its financial year with audited annual financial statements (including profit and loss accounts and explanatory notes) prepared in accordance with US GAAP (US Generally Accepted Accounting Principles, Standards and Practices) and provide the Facility Agent with such additional financial

information as the Facility Agent may from time to time reasonably request. In the event that completion and adoption of the financial statements should be delayed, the Borrower shall furnish the Facility Agent with provisional profit and loss account and balance sheet figures within 6 months after the end of its financial year;

- b) inform the Facility Agent without delay of the occurrence of any of the events mentioned in Clause 12 hereof and in the event any of the Representations and Warranties mentioned in Clause 13 hereof ceases to be true or correct in any material respect;
- c) only with the prior written consent of the Lenders agree upon any modification and/or amendment to the Export Contracts or, as the case may be, the Additional Export Contract, which represents a material change to the Export Contracts or Additional Export Contract, including but not limited to changes in the price/currency, terms of payment, country of origin, delivery and/or installation periods etc.;
- d) obtain and keep in full force all authorisations, licenses, approvals and permits (governmental or otherwise) which are required for the validity and enforceability of this Credit Agreement;
- e) comply with all applicable laws, rules, regulations and orders including all environmental laws and all applicable restrictions imposed by all governmental authorities (including but not limited to the central bank of the Russian Federation) and do all such acts and things which are required thereunder, if failure so to comply will or in the reasonable opinion of the Lenders may, materially impair the ability of the Borrower to perform its obligations, whether in respect of any payment of principal, interest, fees, costs or expenses or otherwise, under this Credit Agreement in strict compliance with its terms;
- f) procure that no substantial change is made to the general nature or scope of its business from that carried out on the date of this Credit Agreement and forthwith inform the Facility Agent of any circumstances which might result in such change provided that the Borrower may amalgamate, merge, demerge or consolidate with any Affiliate as part of any corporate restructuring unless any such action would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;
- g) immediately upon the Borrower's knowledge or awareness thereof inform the Facility Agent of any forthcoming amalgamation, demerger, merger, consolidation or corporate reconstruction of the Borrower;
- h) ensure that neither in a single transaction nor in a series of transactions, whether related or not, all or any substantial part of its assets are sold, transferred, granted or leased or otherwise disposed of unless such sale, transfer, grant, lease or disposal is:
 - (i) made in the ordinary course of trading of the disposing entity;
 - (ii) of assets in the exchange for other assets comparable or superior as to type, value and quality;
 - (iii) made by the Borrower to any Affiliate of the Borrower unless any such transaction would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;
 - (iv) for cash or cash equivalents;
 - (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with US GAAP) does not exceed 25% of the Borrower's Total Assets in any financial year of the Borrower and provided that at all times the disposal of such assets will be made for full consideration and will not lead to any material adverse change which would fall within the scope of Clause 12.1 i). At

the request of the Facility Agent (any such request to be made no more than once per calendar quarter, unless an Event of Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with US GAAP); or

- (vi) involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not the Borrower or any of its Subsidiaries.

When calculating the Borrower's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available, the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Facility Agent.

- i) do all such things as are necessary to maintain its corporate existence and ensure that it has the right and is duly qualified to conduct its business;
- j) not create or agree to create any mortgage, charge, pledge, lien or other security interest on the whole or any part of its assets to secure any indebtedness owed to any creditor other than the Lenders (for the avoidance of doubt, any suretyship or guarantee shall not be deemed a security for the purposes of this paragraph), unless the Credits shall at the same time be secured equally and rateably therewith to the Lenders' satisfaction other than any Permitted Lien (as defined hereinafter)

"Permitted Lien" means:

- (i) any lien on any property or assets of any person existing at the time such person is merged or consolidated with or into the Borrower and not created in contemplation of such event;
- (ii) any lien existing on any property or assets prior to the acquisition thereof by the Borrower and not created in contemplation of such acquisition;
- (iii) any lien on any property or assets securing indebtedness of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring or constructing or refurbishing any property or assets, provided that the aggregate principal amount of all indebtedness secured by liens under this sub-Clause (iii) shall not exceed the lower of (x) the purchase price of such property or assets and (y) the fair market value of such property or assets at the time of acquisition or constructing or refurbishment;
- (iv) any netting or set-off arrangement entered into in the ordinary course of the Borrower's banking arrangements for the purpose of netting debit and credit balances;
- (v) any lien arising by operation of law either (a) in the ordinary course of business; or (b) in respect of taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (vi) any lien on the property or assets of the Borrower securing inter-company indebtedness;
- (vii) any extension, renewal or replacement of any lien described in sub-Clauses (i) to (vi) above, provided that (a) such extension, renewal or replacement shall be no more restrictive in any material respect than the original lien, (b) the amount of indebtedness secured by such lien is not increased and (c) if the property, income or assets securing the indebtedness subject to such lien are changed in connection with such refinancing,

extension or replacement, the fair market value of the property, income or assets is not increased;

(viii) any other lien, pledge, mortgage or other type of encumbrance, provided that, immediately after giving effect to such lien, pledge, mortgage or other type of encumbrance the Borrower's secured indebtedness in the aggregate do not exceed 10% of the book value of the aggregate amount of the Borrower's total assets, determined by reference to its most recent quarterly or, as the case may be, audited annual unconsolidated balance sheet;

(ix) easements, rights-of-way, and any other similar charges and legally binding restrictions or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Borrower or the Business of any Subsidiary of the Borrower, including any encumbrance with respect to an equity interest of any joint venture agreement;

k) ensure that its payment obligations under this Credit Agreement rank at least pari passu with all its other present and future unsecured payment obligations.

15. Assignability

15.1 The Borrower may not assign all or any of its rights and claims under this Credit Agreement.

15.2 Unless (i) the assignment is to an Affiliate of a Lender or to another Lender or (ii) an Event of Default has occurred, any assignment occurring after the date of this Credit Agreement by any Lender shall require the consent of the Borrower, provided that (x) such consent shall not be unreasonably withheld or delayed; and (y) unless the Borrower has notified the Facility Agent to the contrary within 5 Banking Days of receiving notice of the intended assignment, the Borrower will be deemed to have given consent to that assignment .

15.3 Any Lender may also disclose to any person to whom it assigns or intends to assign its rights and obligations hereunder such information about the Borrower and the Credit Agreement, as such Lender shall consider necessary.

16. Statements and Notices

16.1 Any notices or other communications in connection with this Credit Agreement are to be made by letter or by written means of telecommunication, and to be sent to the following addresses:

Borrower: OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Telefax:
+7 095 223-2168
Attention of Ms. Marina V. Zabolotneva
Head of Treasury Department

Facility Agent: ING Bank Deutschland AG
(for and on behalf of Hahnstrasse 49
the Lenders) Frankfurt am Main
Federal Republic of Germany

Telefax
+49 69 75936 207
Attention of: Mr. Michiel de Vries
+ 49 69 75936 521
Head of Structured Export Finance

- 16.2 The Borrower shall provide the Facility Agent with specimen signatures in form and substance as per Annex 4 of those persons who are authorised to act on its behalf.
- 16.3 Any alteration in the above-mentioned companies' names, addresses and power of representation shall be binding upon the other contracting party only upon receipt by such other party of written notification or documents evidencing such alteration.
- 16.4 All correspondence between the parties hereto shall be conducted and carried out in the English language. Should the wording of any document be in a language other than English such document shall be accompanied by a translation certified to be true and accurate that is either authorised by the person who produced it or by a sworn translator.

17. Miscellaneous

- 7.1 This Credit Agreement is independent from the Export Contracts and, as the case may be, the Additional Export Contract. Neither the Borrower nor the Lenders are allowed to raise and hereby each waives any defences or objections emanating from the Export Contracts and, if appropriate the Additional Export Contract, and from its legal relationship with the Exporter. In particular, the Borrower's obligation to repay the Credits as well as all other payment obligations under this Credit Agreement as well as the Lenders' obligations to disburse the financing hereunder are independent from the legality, validity and enforceability of the Export Contracts and, as the case may be, the Additional Export Contract or from any non-performance, bad performance and/or default by the Exporter under the Export Contracts and, as the case may be, the Additional Export Contract.
- 7.2 In satisfaction of the Lenders' respective obligations under the Money Laundering Act, to record the economical beneficiary of borrowing hereunder, the Borrower hereby confirms that the borrowing of the Credits is made on its own behalf and for its own account.

18. Currency Indemnity

In the event that for the purpose of obtaining judgement in any court of any country or enforcement of any judgement by the Lenders it becomes necessary to convert an amount of the currency due hereunder (the "Agreed Currency"), into an amount of another currency (the "Judgement Currency"), then the amount due hereunder, expressed in the Judgement Currency, shall be determined on the basis of the rate of exchange at which the Facility Agent for account of the Lenders is able to purchase the relevant amount of the Judgement Currency on the Banking Day immediately before the day on which the judgement is given or on such earlier date as may be required by the procedural law of the court in which the judgement is sought (the "Agreed Conversion Date").

In the event of a change in such rate of exchange between the Agreed Conversion Date and the date of actual payment, the Borrower shall pay such additional amounts of the Judgement Currency (or the Lenders through the Facility Agent shall remit to the Borrower amounts of such currency) as may be appropriate to ensure that the amounts of the Judgement Currency paid by the Borrower, when converted at the rate of exchange as defined above prevailing at the date of actual payment, shall produce in total the amount of the Agreed Currency due hereunder together with any premium or costs of exchange payable in connection with the purchase or conversion into the Agreed Currency.

Any such additional amounts due shall be due as a separate debt and shall not be affected by a judgement being obtained for any other sums due under or in respect of this Credit Agreement.

19. Applicable Law, Place of Performance and Jurisdiction

- 19.1 This Credit Agreement, as well as all the rights and obligations arising therefrom, shall be governed by and construed in accordance with the laws of the Federal Republic of Germany.
- 19.2 Save as otherwise stipulated herein, place of performance is Frankfurt am Main, Federal Republic of Germany.
- 19.3 Any legal action or proceeding with regard to this Credit Agreement shall be brought in the District Court (Landgericht) at Frankfurt am Main, Federal Republic of Germany, the Lenders reserving to themselves the right to bring any such legal action or proceeding in any other court of law having or accepting jurisdiction as the Lenders may elect.

Without prejudice to and notwithstanding the above, the parties agree that subject to the option in favour of the Lenders, any dispute controversy or claim arising out of this Credit Agreement or related to its fulfilment, breach, termination, or invalidity shall be settled by three arbitrators under the arbitration rules of the UNCITRAL (UNCITRAL Arbitration Rules 1976). The arbitrators shall be appointed in accordance with those rules and be qualified to practise as a judge in the Federal Republic of Germany. Place of arbitration shall be at Frankfurt am Main, Federal Republic of Germany. The parties herewith irrevocably express their consent to have the hearing conducted in the English language.

- 19.4 For any service which may become necessary in connection with proceedings before the courts at Frankfurt/Main, Federal Republic of Germany, the Borrower hereby undertakes to irrevocably designate, appoint and empower, such appointment to be in form and substance as per Annex 5 to this Credit Agreement, Smeets, Haas, Wolff, Partnerschaft von Rechtsanwälten, Eschersheimer Landstraße 121, D-60322 Frankfurt am Main, Federal Republic of Germany, as its agent for service of process (the "Agent for Service of Process") authorised to receive, for and on behalf of itself, service of process.

In the event that the legal capacity of the Agent for Service of Process to act as provided in this Clause 19.4 should cease for any reason whatsoever, the Borrower hereby undertakes in consultation with the Facility Agent to forthwith (but in no event later than 10 Banking Days) designate, appoint and empower another person who is acceptable to the Lenders to act as the Borrower's Agent for Service of Process. Failing this, the Facility Agent may appoint another Agent for the Service of Process for this purpose.

20. General Provisions

- 20.1 This Credit Agreement shall not be capable of being waived, modified or varied otherwise than by an express waiver, modification or variation in writing. Any delay or failure on the part of the Lenders and/or the Facility Agent in exercising any of their rights under this Credit Agreement shall not be regarded as a waiver of these rights or as acquiescence in any conduct contravening the terms of this Credit Agreement. Exercise of single rights only, or merely partial exercise of any rights shall not preclude the claiming in the future of any rights not yet or only partially exercised.
- 20.2 In the event of any provisions laid down in this Credit Agreement being or becoming wholly or partially ineffective in law, the other provisions of this Credit Agreement shall remain in force. Any insufficiency thus created shall be filled by a corresponding provision consistent with the spirit and purpose of this Credit Agreement.
- 20.3 This Agreement shall be executed in the English language.

OJSC Mobile TeleSystems

Moscow,
(place, date and stamp)

(legally binding signature(s))

HSBC Bank plc

London,
(place, date)

(legally binding signature(s))

ING Bank Deutschland AG

Frankfurt an Main
(place, date)

(legally binding signature(s))

Munich,
(place, date)

Bayerische Landesbank

(legally binding signature(s))

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Certificate for Reimbursement

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827*] (the "Credit Agreement")

We hereby confirm to you that we have paid to the Exporter an amount of USD representing the last 85% of the total value of equipment delivered/license products provided* by the Exporter under the Amended Export Contract / Export Contract / Export Contracts / Additional Export Contract* during the period from (date) to (date).

According to Clause 3.2.a) of the Credit Agreement, the amount of USD is thus to be paid to us to our account no. with .

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

We, the undersigned, herewith confirm having delivered/provided* the above captioned equipment/license products and having received the above-mentioned amount(s). We also confirm having received the 15% down payment associated with the above captioned deliveries/provisions of license products..

(place)(date)

Alcatel SEL AG

(legally binding signature(s) of the Exporter)

* *Please delete as appropriate*

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Certificate for Disbursement

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827*](the “Credit Agreement”)

We hereby confirm to you that during the period from (date) to (date) we have delivered equipment/provided license products* under the Amended Export Contract / Export Contract / Export Contracts / Additional Export Contract* in the total value of USD and we have presented to you documents in conformity with Clause 3.2.b) of the Credit Agreement.

At present, the amount due to us under the Export Contracts / Additional Export Contract* on the basis of the aforementioned deliveries/provisions of license products amounts to 85% of the deliveries/provisions of license products*.

We confirm having received the 15% down payment associated with the aforementioned deliveries/provisions of license products*.

According to Clause 3.2.b) of the Credit Agreement, the amount of USD is thus to be paid to us. Please effect payment to us to our account no. with .

(place) (date)

Alcatel SEL AG

(legally binding signature(s) of the Exporter)

* Please delete as appropriate

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Certificate for Disbursement
for the Insurance Premium

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827*](the “Credit Agreement”)

Dear Sirs,

As per the attached copy of the invoice of Hermes dated _____ the Insurance Premium / Additional Insurance Premium* in the amount of USD _____ was/will become due and payable to Hermes on _____. According to Clause 11.2 / 11.3* of the Credit Agreement, the amount of USD _____ is payable to us/ In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2/ 11.3* please pay to us the Insurance Premium / Additional Insurance Premium* calculated by the Facility Agent to amount to USD _____ which will become due and payable to Hermes shortly*.

Please remit the aforementioned amount to [_____]. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

Frankfurt am Main, _____

ING Bank Deutschland AG

* Please delete as appropriate

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Certificate for Reimbursement
in case of application of the Special Payment Procedure

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827*](the “Credit Agreement”)

We hereby confirm to you that the Exporter made deliveries/provided license products* under the Amended Export Contract / Export Contract / Export Contracts / Additional Export Contract* during the period from (date) to (date) in the total amount of USD and that we have instructed the Passport Bank to effect payment of USD to the Exporter representing the last 85% of the total value of such deliveries made/license products provided*.

According to Clause 3.2.a) of the Credit Agreement, the amount of USD is thus to be paid to us to our account no. with the Passport Bank.

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

** Please delete as appropriate*

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Certificate for Disbursement for the Insurance Premium
in case of application of the Special Payment Procedure

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827*](the “Credit Agreement”)

Dear Sirs,

As per the attached copy of the invoice of Hermes dated _____ the Insurance Premium in the amount of USD _____ was/will become due and payable to Hermes on _____.

According to Clause 11.2 of the Credit Agreement, the amount of USD _____ is payable to us/In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2 please pay to us, through the Passport Bank, the Insurance Premium calculated by the Facility Agent to amount to USD _____ which will become due and payable to Hermes shortly*.

Please instruct the Passport Bank to remit the aforementioned amount to us in accordance with the terms and conditions of the certain disbursement agreement entered into between you, us and the Passport Bank, and which provides for the Special Payment Procedure. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

Frankfurt am Main, _____

ING Bank Deutschland AG

** Please delete as appropriate*

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Request for a fixed interest rate

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827*] (the "Credit Agreement")

We refer to Clause 5.2 (d) of the Credit Agreement. We hereby request the Lenders to offer us a fixed interest rate for all amounts outstanding under the Credit Agreement and for the remaining amount and lifetime of the Credits.

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Confirmation of Coming into Force of the Export Contracts / Additional Export Contract *

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827*]

We hereby confirm to you that the Amended Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Alcatel SEL AG for USD 150,000,000 000 has come into force on [] and the Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Alcatel SEL AG for USD 70,000,000 has come into force on [] / We hereby confirm to you that the Additional Export Contract for USD 18,700,000 which forms part of the Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Alcatel SEL AG came into force on [] .

(place) (date) (place) (date)

Alcatel SEL AG

OJSC Mobile TeleSystems
in the Russian Federation

(legally binding signature(s) of the Exporter)

(legally binding signature(s) of the Borrower)

* *Please delete as appropriate*

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Confirmation of Mean-weighted Date of Delivery of Equipment and License Products in relation to the Export Contracts

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863.

We hereby confirm to you that in respect of the Export Contracts as mentioned in the Preamble of the above-mentioned Credit Agreement the mean-weighted date of delivery of equipment and license products and for operation in relation to the several operation units (starting point) took place on .

(place)

(date)

(legally binding signature(s) of the Exporter)

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Confirmation of Mean-weighted Date of Delivery of Equipment and License Products
in relation to the Additional Export Contract

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 as increased by USD 17,311,827

We hereby confirm to you that in respect of the Additional Export Contract as mentioned in the Preamble of the above-mentioned Credit Agreement the mean-weighted date of delivery of equipment and license products in relation to the additional operation units (starting point) took place on .

_____ (place) _____ (date)

(legally binding signature(s) of the Exporter)

ING Bank Deutschland AG
Hahnstrasse 49
Frankfurt am Main
Federal Republic of Germany

For the attention of: []

Specimen Signature List

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 [as increased by USD 17,311,827.*]

Dear Sirs,

Pursuant to the provisions of the above Credit Agreement we are required to provide you with certified specimen signatures of those persons authorised to act on our behalf in connection with the said Credit Agreement.

Accordingly, we herewith confirm to you that the persons listed hereafter are authorised to act on our behalf in connection with the said Credit Agreement.

A. Persons (if any) authorised to sign singly:

<u>Person</u>	<u>First Name</u>	<u>Surname</u>	<u>Position</u>	<u>Date of Birth</u>	<u>Place of Birth</u>	<u>Nationality</u>
1						
2						
3						

<u>Person</u>	<u>Address</u>	<u>Sort and Number of Identity Card</u>	<u>Identity Card Issuing Authority</u>	<u>Specimen Signature</u>
1				
2				
3				

B. Persons authorised to sign jointly with any person from Group A or B:

<u>Person</u>	<u>First Name</u>	<u>Surname</u>	<u>Position</u>	<u>Date of Birth</u>	<u>Place of Birth</u>	<u>Nationality</u>
1						
2						
3						

<u>Person</u>	<u>Address</u>	<u>Sort and Number of Identity Card</u>	<u>Identity Card Issuing Authority</u>	<u>Specimen Signature</u>
1				
2				
3				

I, _____ (please specify title), hereby certify that the specimen signatures listed above are the authentic signatures of persons authorised to act on the Borrower's behalf in connection with the Credit Agreement in the amount of USD

 (place) (date) (legally binding signature of _____)

I/We, _____ (ING Bank Eurasia ZAO), hereby certify the authenticity of the above signature of _____.

 (place) (date) (ING Bank Eurasia ZAO)

 (legally binding signature(s), with name(s) and position(s))

[on the letterhead of the Borrower]

Smeets, Haas, Wolff
Partnerschaft von Rechtsanwälten
Eschersheimer Landstraße 121
D-60322 Frankfurt am Main
Federal Republic of Germany

Credit Agreement dated 25 November 2005 in the amount of USD 123,797,863 (the "Credit Agreement")

Dear Sirs,

On 25 November 2005 OJSC Mobile TeleSystems, 4 Marksistskaya Street, Moscow 109147 Russian Federation entered into a Credit Agreement with HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom, ING Bank Deutschland AG, Hahnstrasse 49, Frankfurt am Main, Federal Republic of Germany and Bayerische Landesbank, Department 6422, Brienner Strasse 18, D-80333 München, Federal Republic of Germany. The provisions of the Credit Agreement provide for that we shall appoint an agent of process for the purpose of accepting service of process in the Federal Republic of Germany. We hereby appoint you as our authorised agent of process for that purpose, limited solely to service of process in connection with actions which might arise under the Credit Agreement. We hereby irrevocably authorise you to accept all services of process in connection with those actions in our name and to receive all correspondence, documents and declarations related thereto until 25 November 2015 ("Termination Date"). You have agreed a compensation of € 5,000.00 (Euro five thousand) plus VAT, if any, for the period until the Termination Date.

Upon receipt of any process served on you or of any correspondence, document and declaration related thereto, you are hereby instructed to notify us at the above mentioned address unless we notify you in writing of another address. If it is deemed necessary by you to do so in the best of our interest, you are hereby authorised to notify us in your discretion by telex, telefax or telephone of the contents of the process served on you and of correspondence, documents or declarations received by you. Once each such notice has been made, you have fulfilled your obligations under this agreement.

Your liability as our authorised agent of process will be restricted to cases of wilful misconduct and gross negligence. The relationship between you and our company is governed by the laws of the Federal Republic of Germany. Your liability as our authorised agent of process is limited to € 1,000,000.00 (Euro one million) except for cases of wilful misconduct and gross negligence. Sec. 254 German Civil Code applies.

Exclusive place of jurisdiction shall be Frankfurt am Main, Federal Republic of Germany.

Yours sincerely,

(legally binding signature(s) of the Borrower)

Accepted:

Smeets, Haas, Wolff

(legally binding signature(s))

DOC 20 Header

CREDIT AGREEMENT

Dated 14 December 2005

between

OJSC Mobile TeleSystems, Russian Federation

as Borrower

and

Citibank, N.A.

ING Bank N.V.

as Mandated Lead Arrangers

Citibank International plc

ING Bank N.V.

as Lenders

and

ING Bank N.V.

as Facility Agent

and

Citibank International plc.

as EKN Agent

Table of Contents

Preamble

Clause

1. Definitions and Interpretations	5
2. Amount and Purpose of the Credits	8
3. Disbursements / Reimbursements	11
4. Conditions Precedent to Disbursements / Reimbursements	13
5. Interest Periods, Interest, Increased Costs	15
6. Fees	18
7. Calculation of Periods	18
8. Repayment and Prepayment	18
9. Payments	19
10. Taxes, Levies, Duties and Other Costs	20
11. Guarantee of Exportkreditnamnden for tied Buyer's Credits	23
12. Suspension of Disbursement, Payments Immediately Due (Events of Default)	24
13. Representations and Warranties	26
14. Financial Statements, Information and Undertakings (Covenants)	27
15. Assignability	29
16. Statements and Notices	30
17. Miscellaneous	30
18. Currency Indemnity	31
19. Applicable Law and Jurisdiction	31
20. General Provisions	32

Annexes to the Credit Agreement

- 1a – 1f Certificates for Disbursement and Reimbursement and Request for a fixed interest rate
- 2a – 2b Confirmation of Mean Delivery of Equipment and Software in relation to the Export Contracts / in relation to the Additional Export Contract
- 3 Specimen Signature List of the Borrower

OJSC Mobile TeleSystems, Moscow, Russian Federation (the “Borrower”)

And

Citibank, N.A., 33 Canada Square, Canary Wharf, London E14 5LB

and

ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands

(each a “Mandated Lead Arranger” and together the “Mandated Lead Arrangers”)

Citibank International plc, 33 Canada Square, Canary Wharf, London E14 5LB

and

ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands

(each a “Lender” and together the “Lenders”)

and

ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands as Facility Agent (“the Facility Agent”)

and

Citibank International plc Citigroup Centre, 33 Canada Square, Canary Wharf, London E14 5LB as EKN Agent (the “EKN Agent”).

Preamble

- A. On 20 December 2004 the Borrower concluded an amendment to the supply contract number FCP 1035153 dated 15 July 2004 and on 31 March 2005 the Borrower concluded a supply contract number FCP 1035458 (together the “Export Contracts”) with Ericsson AB, 164 80, Stockholm, Sweden (the “Exporter”) for the delivery of telecommunication equipment.
- B. The total contract value of the deliveries that may be made under the Export Contracts amounts to USD 143,012,522 (the “Total Contract Value”).
- C. According to the Export Contracts the deliveries were/shall be made through the placement of individual purchase orders issued between 07 December 2004 and 30 September 2006. Installation and commissioning work was/will be carried out by Ericsson Corporatia AO, Moscow, Russian Federation, and is not subject of financing hereunder.

- D. The value of the orders expected to be made by the Borrower under the Export Contracts until 30 September 2006 or such later date as may be agreed between the Borrower and the Exporter amounts to USD 143,012,522 and is to be paid, according to the terms of the Export Contracts, as follows:
- (1) 15% down payments
 - (2) 85% of the value of each delivery or service (the "Partial Contract Value") pro rata to deliveries made within 30 days of such deliveries/services.
- E. The Borrower and the Exporter may also agree to enter into a further contract for the supply of additional telecommunications equipment or to make additional orders under the Export Contracts (in either case the "Additional Export Contract") up to the Total Additional Contract Value, the financing terms of which may provide for additional payments partially being made under the terms of this Credit Agreement.
- F. The total additional contract value of further deliveries to be made under the Additional Export Contract (if such Additional Export Contract is agreed) is expected to amount up to USD 40,000,000 (the "Total Additional Contract Value").
- G. The terms of the Additional Export Contract (if agreed) are expected to enable deliveries to be made through a series of purchase orders beginning 01 November 2005.
- H. The Total Additional Contract Value (if the Additional Export Contract is agreed) is expected to consist of 15% down payments and a portion of 85% as partial additional contract value (the "Partial Additional Contract Value") to be financed hereunder at the option of the Borrower, subject to the agreement of EKN (as defined below) and the Lenders.

This being premised, it is hereby agreed as follows:

1. Definitions and Interpretations

Additional Export Contract	means an additional contract which may be entered into between the Borrower and the Exporter or additional deliveries or services rendered under the Export Contracts as defined in Article E of the Preamble
Additional Insurance Premium	means the premium as defined in Clause 11.3
Additional Repayment Date	means the date(s) as defined in Clause 5.1 d)
Affiliate	means, in relation to any person a Subsidiary of that person, or a Holding Company of that person, or any other Subsidiary of that Holding Company
Agent for Service of Process	means the person or entity as defined in Clause 19.4
Agreed Currency	means the currency as defined in Clause 18
Availability Period	Means the period commencing on the date of this Agreement and ending on the date ten months thereafter
Banking Day	means a day (other than Saturday or Sunday) on which banks are generally open for business in New York, London, Amsterdam and Moscow

Borrower	means OJSC Mobile TeleSystems, 4 Marksistskaya Street, Moscow 109147, Russian Federation Payment details: foreign currency account No. 40702840500001001817 with ING Bank (Eurasia) ZAO, 36, Krasnoproletarskaya Ulitsa, Moscow, 127473, Russian Federation, SWIFT code INGBRUMM.
Credit A	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 1 and Tranche 2
Credit B	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 3 and Tranche 4
Credit or Credits	means the aggregate principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and "Credits" shall include Credit A and Credit B
Credit Agreement	means this agreement
Export Contracts	means the contracts between the Borrower and the Exporter defined in Article A of the Preamble
EKN	Exportkreditnämnden, the Swedish Export Credits Guarantee Board, Sweden
EKN Starting Point	Means the mean delivery date under the Export Contracts being August 31 st , 2005, or the Additional Export Contract, as applicable, or such other date as may be approved by EKN.
Exporter	means Ericsson AB, 164 80 Stockholm, Sweden
Facility Agent	means ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands
Holding Company	means, in relation to a person, any other person in respect of which it is a Subsidiary
Insurance Agreement	means the agreement as per Clause 11.1
Insurance Premium	means the premium as defined in Clause 11.2
Interest Payment Date	means the date as defined in Clause 5.2.e)
Interest Period(s)	means the period(s) as defined in Clause 5.1
Judgement Currency	means the currency as defined in Clause 18
Lender(s)	ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands Payment details: SWIFT CHASUS33, account number 001.1.643293 held with JPMorgan Chase, New York, for further credit to INGBNL2A

quoting ref. SF&AS/HE03.01/MTS-Ericsson

and

Citibank International plc, 33 Canada Square, Canary Wharf, London E14 5LB, United Kingdom

Payment details: SWIFT CITIUS33, Citibank, N.A., New York, for further credit to Citibank International plc, SWIFT CITTGB2L, account number 10963054, Attn UK loans dept, quoting ref: MTS-Ericsson

LIBOR	means the interest rate as defined in Clause 5.2.a)
Margin	means the margin as defined in Clause 5.2.a)
Partial Contract Value	means the part of the value of the deliveries made or services rendered as defined in Article D of the Preamble
Partial Additional Contract Value	means the part of the value of the deliveries made or services rendered as defined in Article H of the Preamble
Reference Banks	means the London offices of ING Bank N.V. and Citibank, N.A.
Repayment Date(s)	means the date(s) as defined in Clause 5.1.d)
Passport Bank	means ING Bank (Eurasia) ZAO, 36, Krasnoproletarskaya Ulitsa, Moscow 127473, Russian Federation or such other bank as approved by the Facility Agent
Special Payment Procedure	means the special payment procedure provided for under a certain disbursement facility agreement to be entered into by and between the Borrower, the Facility Agent and the Passport Bank.
Subsidiary	means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership
Supplemental Insurance Agreement	means the supplemental agreement as per Clause 11.1
Total Assets	means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower's most recent annual consolidated balance sheet delivered in accordance with Clause 14 a)
Total Contract Value	means the aggregate price agreed upon in the Export Contracts for deliveries made and services rendered thereunder as defined in Article B of the Preamble
Total Additional Contract Value	means the aggregate price agreed upon in the Additional Export Contract for deliveries to be made and services to be rendered thereunder as defined in Article F of the Preamble
Tranche 1	means the part of Credit A as defined in Clause 2.2.a) hereof

Tranche 2	means the part of Credit A as defined in Clause 2.2.b) hereof
Tranche 3	means the part of Credit B as defined in Clause 2.2.c) hereof
Tranche 4	means the part of Credit B as defined in Clause 2.2.d) hereof
Tranches	means, collectively, Tranche 1 and Tranche 2 and, if applicable Tranche 3 and Tranche 4 as defined in Clause 2.2
UMC	Means Closed Joint Stock Company “Ukrainian Mobile Communications”, 15 Leiptsyzka Street, Kyiv, Ukraine
UMC Litigation	means any of the claims, proceedings (present or future) and causes of action involving the Borrower, and/or any Affiliate thereof (including UMC) relating to or arising out of the sale of UMC to the Borrower, or the acquisition, reorganization or ownership of UMC by the Borrower.
USD	means the lawful currency of the United States of America

2. Amount and Purpose of the Credits

- 2.1 The Lenders grant to the Borrower a credit in an aggregate amount of up to:
USD 130,752,548
(in words: United States Dollars one hundred and thirty million seven hundred and fifty two thousand five hundred and forty eight)
(“Credit A”)

With reference to the Additional Export Contract, and subject to the agreement of EKN, the Lenders may elect in their absolute and free discretion to grant to the Borrower upon its written request a further credit in an aggregate amount of up to:

USD 36,570,937
(in words: United States Dollars thirty six million, five hundred and seventy thousand, nine hundred and thirty seven)
(“Credit B”)

It is hereby agreed and understood by the Borrower and the Lenders that the Lenders, by entering into this Credit Agreement, do not assume any commitment to grant Credit B but that the granting of such Credit B is at their sole discretion and will only materialise upon the Lenders written approval.

Credit A and Credit B shall hereinafter be referred to individually as a “Credit” or collectively as “Credits”.

2.2 Credits shall consist of:

- a) Tranche 1 in an amount of USD 121,560,644 (in words: United States Dollars one hundred and twenty one million five hundred and sixty thousand six hundred and forty four) which shall be available for the financing of the Partial Contract Value either (i) still due and payable to the Exporter resulting from deliveries made/services rendered under the Export Contracts, or (ii) payable to the Borrower resulting from deliveries made / services rendered under the Export Contracts for which payment has been made, directly by the Borrower to the Exporter; and
- b) Tranche 2 in an amount of USD9,191,904 (in words: United States Dollars nine million one hundred and ninety one thousand nine hundred and four) which shall be available for the financing of up to 100% of the Insurance Premium for cover of the Lenders' payment claims under the Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to EKN; and if so applicable
- c) Tranche 3 in an amount of up to USD 34,000,000 (in words: United States Dollars thirty four million) which shall be available for the financing of the Partial Additional Contract Value either (i) still due and payable to the Exporter resulting from deliveries made/services rendered under the Additional Export Contract, or (ii) payable to the Borrower resulting from deliveries made / services rendered under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; and
- d) Tranche 4 in an amount of up to USD 2,570,937 (in words: United States Dollars two million five hundred and seventy thousand nine hundred and thirty seven) which shall be available for the financing of up to 100% of the Additional Insurance Premium for cover of the Lenders' payment claims under the Supplemental Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to EKN;

unless otherwise stipulated hereinafter, any reference in this Credit Agreement to the Credit shall include the Tranches applicable to that Credit, and to Credits or to credit amounts or to any other similar term shall include the Tranches.

2.3 The amounts borrowed under this Credit Agreement are exclusively available (i) provided that payment of the Partial Contract Value for deliveries made/services rendered has been effected by the Borrower to the Exporter prior to fulfilment of all conditions precedent to disbursements / reimbursements under Clause 4 of this Credit Agreement or waiver thereof by the Lenders by means of payment from sources other than this Credit Agreement, for reimbursement thereof to the Borrower; (ii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for reimbursement to the Borrower in the amount of the Partial Contract Value resulting from deliveries made/services rendered under the Export Contracts for which payment has been made directly by the Borrower to the Exporter; (iii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Contract Value resulting from deliveries made/services rendered under the Export Contracts; (iv) for reimbursement to the Borrower of up to 100% of the Insurance Premium paid by the Borrower to the Lenders through the Facility Agent and the EKN Agent to EKN; (v) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of EKN and the Lenders, for reimbursement to the Borrower in the amount of the Partial Additional Contract Value resulting from further deliveries made/services rendered under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; (vi) in respect of the optional financing of Credit B if so required by the Borrower, and subject to the agreement of EKN and the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Additional Contract Value resulting from deliveries made/services rendered under the Additional Export Contract; and (vii) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of EKN and the Lenders, for reimbursement to the Borrower of up to 100% of the Additional Insurance Premium paid by the Borrower to the Lenders through the Facility Agent.

2.4 Upon and subject to the terms and conditions of this Credit Agreement each of the Lenders shall participate in each disbursement or reimbursement of the Credits in the proportion of its maximum liability mentioned in this Clause 2.4 as percentage of the maximum credit amounts mentioned in Clause 2.1 hereof.

ING Bank N.V.
Bijlmerplein 888
1102 MG Amsterdam

Credit A
50%, max. USD 65,376,274
(in words: United States Dollars sixty five million three hundred and seventy six thousand two hundred and seventy four)

Credit B (optional financing)
50%, up to max. USD 18,285,468.50
(in words: United States Dollars eighteen million, two hundred and eighty five thousand, four hundred and sixty eight point fifty)

Citibank International plc
33 Canada Square
Canary Wharf , London, E14 5LB

Credit A
50%, max. USD 65,376,274
(in words: United States Dollars sixty five million three hundred and seventy six thousand two hundred and seventy four)

2.5 The Credit shall be made available under exclusion of any joint liability. Therefore, each of the Lenders shall only be responsible for the fulfilment of its own obligations and shall not be liable for the fulfilment of the obligations of the other Lenders under this Credit Agreement. The failure of any of the Lenders to provide funds according to its obligation under this Credit Agreement shall neither release the other Lenders nor the Borrower from any of their respective obligations towards each other hereunder.

3. Disbursements / Reimbursements

3.1 Tranche 1 (and if applicable, Tranche 3) shall be disbursed in credit portions directly to the Borrower or, as the case may be, the Exporter to such account and to such financial institution as specified by the Borrower or, as the case may be, the Exporter to the Facility Agent.

The Borrower hereby irrevocably agrees that - under Clause 3.2.b) below - only the Exporter shall have the exclusive right to request payments under Tranche 1 (and if applicable, Tranche 3) and that such direct payments to the Exporter will constitute disbursements of Tranche 1 (and if applicable, Tranche 3) to the Borrower under this Credit Agreement.

3.2 a) In the event that prior to or after fulfilment of the conditions precedent to disbursements / reimbursements under the Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, payments are made by the Borrower to the Exporter in the amount or amounts of the respective Partial Contract Value (or Partial Additional Contract

Value) out of funds other than out of this Credit Agreement in and towards satisfaction and fulfilment of sums due to the Exporter resulting from the Export Contracts, then reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made by the Lenders through the Facility Agent against presentation by the Borrower to the Facility Agent of a certificate as per Annex 1a or 1d hereto in an amount or amounts equal to the aggregate principal amount or amounts of such payments in the maximum amount of the respective Partial Contract Value (or Partial Additional Contract Value) to the Borrower to such account as specified by the Borrower to the Facility Agent.

The Borrower and the Lenders acknowledge and agree to the Exporter's intent to provide the Facility Agent, upon any delivery having been made/service having been rendered under the Export Contracts for which the Borrower shall make direct payment to the Exporter out of other funds than of this Credit Agreement before being reimbursed in accordance with this Clause 3.2.a), with copies of the respective delivery documents or invoice, as the case may be. It is the common understanding of the parties hereto that the dispatch of such copies to the Facility Agent shall be for information purposes only; therefore shall neither the failure of the Exporter to send such copies prevent the Lenders in any way from making reimbursements, nor shall the delivery of such copies oblige the Lenders to make reimbursements under this Clause 3.2.a), in particular not in case of any of the conditions precedent for disbursement / reimbursement not being fulfilled.

- b) With effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, Tranche 1 (and if applicable, Tranche 3) shall be disbursed directly to the Exporter on a pro rata basis against deliveries made/services rendered in an amount equal to 85% of the value of such deliveries/services only upon presentation by the Exporter to the Facility Agent of a certificate as per Annex 1b hereof and of the following documents:

In case of equipment deliveries

- a copy of the commercial invoice issued by the Exporter;
- a copy of the international waybill relating to such equipment.

In case of licenses

- a copy of the commercial invoice issued by the Exporter;
- a copy of the acceptance certificate, signed by the Borrower and the Exporter.

The Facility Agent shall accept and make disbursements against the aforementioned documents as they are being presented to it without any obligation of examination thereof; in particular the Facility Agent shall not be obliged to verify whether or not any documents delivered to it under this Clause 3.2.b) are in compliance with the Uniform Customs and Practices for Documentary Credits, 1993 Revision, ICC Publication No. 500.

- 3.3 Disbursements / reimbursements under Tranche 1 (and if applicable, Tranche 3) as per Clause 3.2 shall be made in minimum amounts of USD 1,000,000.00 provided, however, that, in the event that 85% of the value of any documents presented to the Facility Agent during a calendar month for disbursements under Tranche 1 (and if applicable, Tranche 3) or the amount mentioned in a reimbursement certificate as per Annex 1a or 1d, as the case may be, is less than the aforementioned minimum amount, disbursements or reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made at the end of the relevant calendar month in one amount equal to 85% of the aggregate value of all documents or equal to the aggregate value of all certificates, as

the case may be, received by the Lenders during that month in relation to which disbursement or reimbursement under Tranche 1 (and if applicable, Tranche 3) has not previously been made.

- 3.4 Disbursement under Tranche 2 (and if applicable, Tranche 4) for the financing of up to 100% of the Insurance Premium (or as the case may be, the Additional Insurance Premium) shall in either event, whether the Insurance Premium has become due and payable prior to or after the fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent, acting on behalf of the Lenders, and provided that the Borrower has paid the total amount of the Insurance Premium (or the Additional Insurance Premium) to the Facility Agent as per Clause 11.2 hereof, be made without any request or action by the Borrower upon fulfilment of the conditions precedent to disbursements / reimbursements or waiver thereof by the Lenders through the Facility Agent to the Borrower to such account as will be specified by the Borrower to the Facility Agent.
- 3.5 Each disbursement or reimbursement of the Credits or any portion thereof under this Credit Agreement shall be made at the latest on the 5th Banking Day after all conditions precedent applicable to such disbursement or reimbursement pursuant to Clause 4 hereof have been fulfilled or waived, as the case may be, and provided that the date of such disbursement or reimbursement falls on a Banking Day within the Availability Period and further provided that the Lenders through the Facility Agent have not exercised any of their rights under Clause 12 hereof.
- 3.6 The Borrower may - in case of disbursements according to Clause 3.2.b) - only waive disbursement of the Credits, in full or in part, with the prior written consent of the Lenders and the Exporter.

4. Conditions Precedent to Disbursements / Reimbursements

4.1 In relation to Credit A

The first disbursement or reimbursement under Credit A of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) an English legal opinion and a Russian legal opinion to be issued by Freshfields Bruckhaus Deringer, Moscow, Russian Federation;
- b) a legal opinion by Wistrand, Stockholm, Sweden
- c) a written confirmation in accordance with Annex 2 hereof certifying that the Export Contracts have come into force;
- d) a specimen signatures list as per Annex 3 hereof with the specimen signatures of such persons authorised by the Borrower to act on its behalf in connection with this Credit Agreement;
- e) a copy of the executed Export Contracts;
- f) a certificate as per Annex 1a, 1b, 1c, 1d or 1e , as the case may be;
- g) confirmation issued by the Passport Bank certifying its appointment by the Borrower as Passport Bank;
- h) evidence that the down payment referred to in Article D of the Preamble has been made to the Exporter by the Borrower; and
- i) such other certificates and documentation and other evidence reasonably requested by the Lenders in order for them to carry out and be satisfied with the results of all necessary “know your customer” or similar requirements, including those reasonably required to ensure compliance with money laundering procedures in their relevant jurisdictions.

In relation to Credit B (if applicable)

The first disbursement or reimbursement under Credit B of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a written confirmation issued by Freshfields Bruckhaus Deringer, Moscow, as Lenders’ counsel confirming that the original legal opinion rendered under Clause 4.1.a) above is applicable mutatis mutandis to this Credit Agreement as increased by Credit B, such confirmation stating inter alia that all necessary permits, authorisations and registrations in the Russian Federation have been obtained;
- b) a written confirmation issued by Wistrand, Stockholm, as Lenders’ counsel confirming that the original legal opinion rendered under Clause 4.1.b) above is applicable mutatis mutandis to this Credit Agreement as increased by Credit B;
- c) a copy of the executed Additional Export Contract;
- d) a written confirmation in accordance with Annex 2 hereof certifying that the Additional Export Contract has come into force; and
- e) an undertaking by the Exporter in favour of the Lenders with regard to certain risks and obligations not covered by the Supplemental Insurance Agreement as per Clause 11.1 hereof.

4.2 Furthermore, the first disbursement or reimbursement under Credit A or, if applicable Credit B, is conditional upon receipt by the Lenders of the following payments:

a) payment of the fee as per Clause 6.2 hereof in the case of Credit A and, payment of additional fees pursuant to Clause 6.4 hereof in the case of Credit B; and

b) payment of 100% of the Insurance Premium and, as the case may be, 100% of the Additional Insurance Premium.

4.3 Moreover, the first disbursement under this Credit Agreement by way of direct disbursement to the Exporter as per Clause 3.2.b) is subject to such disbursement procedure being in full and strict compliance with the Russian laws (in particular but not limited to the Law on Currency Regulation and Currency Control dated 10 December 2003); such compliance to be evidenced to the Lenders in form and substance satisfactory to the Lenders.

4.4 Each reimbursement under Tranche 1 or Tranche 3 as per Clause 3.2. a) hereof is furthermore subject to evidence satisfactory to the Lenders that payments were made by the Borrower for deliveries made/services rendered under the Export Contracts or the Additional Export Contract, as the case may be, and have been received by the Exporter in amounts corresponding to those mentioned in the relevant reimbursement certificate in form and substance as per Annex 1a or 1d, as the case may be, hereto.

4.5 Each disbursement or reimbursement under this Credit Agreement is subject to the condition that the Insurance Agreement and, as the case may be, the Supplemental Insurance Agreement, as per Clause 11.1 is in full force and effect and covers the Lenders' claims under this Credit Agreement.

4.6 The Lenders through the Facility Agent shall together be entitled to waive any one or more of the aforementioned conditions precedent to disbursements / reimbursements as the Lenders at their sole discretion deem fit, whereupon — unless otherwise notified in writing by the Facility Agent to the Borrower - any such condition precedent shall be deemed to constitute a condition subsequent which the Borrower undertakes to satisfy within such period of time which the Facility Agent may reasonably determine.

4.7 The Facility Agent will notify the Borrower, the Lenders and the Exporter without delay in writing of the fulfilment of the conditions precedent to first disbursement or reimbursement and, if applicable, conditions subsequent.

5. Interest Periods, Interest, Increased Costs

5.1 For the purpose of periodical calculation of interest and its payment by the Borrower as determined hereinafter, each interest period (the "Interest Period") shall be of a duration of 6 months, provided that:

- a) the first Interest Period in respect of the first disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end 6 months after the date of that disbursement or reimbursement subject to 5.1 d and 5.1 e below;
- b) the first Interest Period in respect of any subsequent disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end upon expiry of the then current Interest Period relating to the respective Credit A or Credit B, as the case may be;
- c) each subsequent Interest Period shall commence on the expiry of the preceding Interest Period;
- d) any Interest Period which would otherwise extend beyond the due date of any repayment instalment pursuant to Clause 8.1 of this Credit Agreement (any such repayment date hereinafter referred to as a "Repayment Date" or "Additional Repayment Date", if applicable) shall be shortened to the extent necessary to end upon such Repayment Date or Additional

Repayment Date, as the case may be;

- e) any Interest Period which would otherwise end on a day which is not a Banking Day shall end on the next Banking Day unless the result of such extension would be to carry such Interest Period over into another calendar month, in which event such Interest Period shall end on the preceding Banking Day.

- 5.2 a) Subject to Clause 5.2 d) below, for as long as any principal amounts repayable under this Credit Agreement remain outstanding, the Borrower shall pay to the Lenders through the Facility Agent for each Interest Period on each credit amount outstanding interest at a rate per annum to be the aggregate of (i) a margin of 0.30% p.a. (in words zero point three per cent per annum) (the “Margin”) and (ii) the London Interbank Offered Rate (“LIBOR”) relating to such Interest Period (rounded upwards - if necessary - to a full month).

LIBOR shall mean, in relation to such Interest Period, the rate per annum determined by the Facility Agent to be equal to the arithmetic mean (rounded upwards, if necessary, to five decimal places) of the London interbank offered rates for deposits of USD for a period equal to such period as are displayed at or about 11.00 a.m. (London time) on the second Banking Day prior to the commencement of such period on the relevant page on the Reuter Monitor Money Rates Services (or such other page as may replace such page on such service for the purpose of displaying London interbank offered rates of leading banks for deposits of USD) or, if on such date the offered rates for the relevant period of fewer banks than two leading banks are so displayed, as quoted to the Facility Agent by each of the Reference Banks at the request of the Facility Agent and calculated on the above mentioned basis. Interest (Margin plus LIBOR), as specified under this Clause 5.2(a) is due from the Borrower exclusively against delivery to the Borrower of the related invoices (originals) and the original (apostilled and with notarised translation into Russian) residency certificate for the Lenders and/or the Facility Agent, depending on the Borrower’s request. Each Lender and the Facility Agent hereby undertake prior to issuance of the relevant invoices to the Borrower for the purposes of this Clause 5.2(a) to agree with the Borrower in written correspondence on whether the Russian VAT shall apply to a receipt by, or payment to the Lender (s) and/or the Facility Agent due from the Borrower under this Clause 5.2(a), as may be required under the Russian law.

- b) The Facility Agent shall promptly advise the Borrower in writing by letter or means of telecommunication of the rate of interest determined from time to time as per Clause 5.2.a) hereof and of the amount of interest to be paid at the end of the respective Interest Period, provided that in cases where the interest rate is determined by the Facility Agent on the basis of quotes from the Reference Banks, as specified in Clause 5.2.a), is reasonable, proven and objective no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations hereunder.
- c) The rate of interest as stipulated in Clause 5.2.a) shall always apply without any further request, communication or whatsoever as far and as long as no rate of interest is applicable in accordance with Clause 5.2.d) hereof.
- d) For all amounts outstanding under this Credit Agreement the Lenders shall, upon the Borrower’s request and subject to the Lenders’ internal approvals and the approval of EKN and SEK (defined below), offer a fixed interest rate (the Lenders using their best efforts to ensure that such rate is commercially reasonable) for the whole remaining amount and lifetime of the Credits provided that:
 - (i) the last disbursement or reimbursement under the Credit Agreement has been effected, in the case of either Credit A or Credit B,
 - (ii) the exact Repayment Dates for the repayment instalments of the Credits stand firm in the case of either Credit A or Credit B,

- (iii) the Borrower's request in the form of Annex 1 f hereto has been received by the Facility Agent at the latest 15 Banking Days prior to the next Repayment Date and,
- (iv) corresponding funds in like amounts and for a duration equivalent to the term of the Credits under this Agreement are available to the Lenders.

Such fixed interest rate takes binding effect for the period starting with the next Repayment Date and ending on the last Repayment Date for the Credits, in the case of either Credit A or Credit B, as may be the case, provided that the Facility Agent has received the Borrower's agreement to the fixed rate offered by the Lenders through the Facility Agent within the validity period of such offer.

- e) Interest on any credit amounts outstanding shall accrue from day to day and be calculated on a per annum basis from the date of each disbursement or reimbursement until the date on which the respective repayment instalment is unconditionally credited on the account specified in or to be indicated by the Facility Agent in accordance with Clause 9.1 hereof. Interest on any credit amounts outstanding shall be paid by the Borrower in arrears on each Interest Payment Date (each "Interest Payment Date" being, (i) in the case of an interest rate applicable as per Clause 5.2 a), the last day of any and each Interest Period; and (ii) in case of a fixed interest rate applicable as per Clause 5.2 d) hereof each Repayment Date).
- f) The parties agree that they shall, following the execution of this Credit Agreement, enter into discussions regarding amending the Credit Agreement to provide for the interest on a portion of Credit A and/or Credit B to be charged at a fixed rate (the "SEK CIR Rate") which shall be provided by AB Svensk Exportkredit ("SEK"), subject to SEK and EKN approval.

5.3 Subject to Clause 5.5 (Exceptions), if by reason of any change occurring after the date of this Credit Agreement in any law, regulation, treaty or official directive (whether or not having the force of law) or the interpretation or application thereof (including but not limited to any reserve, deposit or similar requirements) and for compliance by the Lenders and/or the Facility Agent with any legally binding requirement of any central bank or other governmental or monetary authority arising after the date of this Credit Agreement any of the Lenders incur any Increased Costs (as defined hereinafter), then, in any such case, the Borrower shall pay to the Facility Agent for account of the Lenders within thirty days of a demand by the Facility Agent such amounts of the Increased Costs as the Lenders through the Facility Agent shall specify to be necessary to compensate the Lenders for such increase or such reduction.

In this Agreement "Increased Costs" means:

- (i) a reduction in the rate of return from the Credits or on a Lender's overall capital;
- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under the Credits,

which is incurred or suffered by a Lender to the extent that it is attributable to that Lender having entered into this Credit Agreement or funding or performing its obligations under it.

5.4. A Lender intending to make a claim pursuant to Clause 5.3 (Increased Costs) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower. Each Lender shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs and the circumstances giving rise to the claim.

5.5 Clause 5.3 (Increased Costs) does not apply to the extent any Increased Cost is:

- (i) compensated for under another Clause or would have been but for an exception to

that Clause;

- (ii) a tax, levy, duty, charge or fee of whatever nature on the overall net income of a Lender or attributable to any deduction or withholding for or on account of any tax, Levy, duty, charge or fee of whatever nature required by law to be made by the Borrower (provided that nothing in this sub-clause 5.5 (ii) reduces the Borrower's Liability to make any payment on account of any tax, levy, duty, charge or fee required pursuant to Clause 10); or
- (iii) attributable to a Lender being grossly negligent or wilfully failing to comply with any law or regulation or official administration order or court decision.

6. Fees

- 6.1 From the date of this Credit Agreement until disbursement of Credit A in full, the Borrower shall pay to the Lenders through the Facility Agent a commitment fee at a rate of 0.10% p.a. (in words: zero point one per cent per annum) calculated on a daily basis on such portion of the maximum amount of Credit A not yet disbursed at any time. The commitment fee is payable pro rata in arrears (i) prior to the first disbursement or reimbursement on June 30 and December 30 of each year; and (ii) with effect from the first disbursement or reimbursement on each Interest Payment Date.
- 6.2 The Borrower will pay to the Mandated Lead Arrangers through the Facility Agent an arrangement fee of 0.20% flat (in words: zero point two per cent flat) calculated on the maximum amount of Credit A mentioned in Clause 2.1 hereof.

The arrangement fee is due prior to the first disbursement or reimbursement under the Credit Agreement, at the latest however, within 30 days after the date of this Credit Agreement.
- 6.3 From the date of this Credit Agreement until all monies owing by the Borrower are fully repaid to the Lenders, the Borrower shall pay to the Facility Agent an agency fee of USD 10,000 per annum on the date of signature of this Credit Agreement and annually thereafter on the anniversary date of this Credit Agreement.
- 6.4 Clauses 6.1 and 6.2 shall apply mutatis mutandis in case of Credit B being made available by the Lenders to the Borrower whereas calculation of the additional commitment fee shall start on the date on which the Lenders will have approved the granting of Credit B to the Borrower in writing; the additional arrangement fee shall be paid within 30 days after the date of such approval, at the latest, however, prior to disbursement or reimbursement under Credit B.

7. Calculation of Periods

For the purpose of calculating interest, commitment fee and other payment obligations based on periods of time, a year will be calculated on the basis of the actual number of days elapsed and a year of 360 days.

8. Repayment and Prepayment

8.1 Credit A

The credit amounts disbursed under Credit A are to be repaid in 17 equal and consecutive semi-annual repayment instalments each in an amount equal to 1/17th of Credit A or such other amount as agreed between the Lenders and the Borrower and approved by EKN; the first of which will be due on the earlier of (i) 28 February 2006 and (ii) the date falling 6 months after the EKN Starting Point to be evidenced concurrently to the Borrower and the Lenders (by delivery as specified in Clause 16.1 hereunder) by a certificate in accordance with Annex 2a hereof_

Credit B

If applicable, the credit amounts disbursed under Credit B will be repaid in 17 equal and consecutive semi-annual repayment instalments each in an amount equal to 1/17th of Credit B or such other amount as agreed between the Lenders and the Borrower and approved by EKN; the first of which will, depending on the respective EKN approval, be due on the date falling 6 months after the EKN Starting Point, to be evidenced by a certificate in accordance with Annex 2b hereof

- 8.2 Where the interest rate defined in Clause 5.2 a) applies, the Borrower shall be entitled upon 30 days' prior notice to the Facility Agent to prepay on any Interest Payment Date, in full or in part, any credit amounts outstanding together with interest accrued thereon and any other amounts then due under the Credit Agreement. Any such notice of the Borrower shall be irrevocable and binding and obliges the Borrower to repay the credit amounts in accordance with its notice of prepayment.

In case of partial prepayments, any partial amount repaid may be applied by the Facility Agent in the inverse order of their maturities.

Any amount prepaid in accordance with this Clause 8.2 may not be reborrowed.

- 8.3 Where the interest rate in Clause 5.2 d) applies, prepayment of any amounts not yet due according to this Credit Agreement is not permitted.

- 8.4 Prior to the first Repayment Date the Facility Agent shall furnish the Borrower with a repayment schedule which sets out the Repayment Dates and the amount of repayment instalments to be paid on each such Repayment Date or Additional Repayment Date, if applicable, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its obligations hereunder. In case of the granting of Credit B and if a repayment schedule in relation to Credit A has already been delivered at such time, the Lenders shall furnish the Borrower with a revised repayment schedule or an additional repayment schedule, as the case may be. All other stipulations of the preceding sentence shall apply mutatis mutandis to such revised or additional schedule.

9. Payments

- 9.1 All payments to be made by the Borrower to the Lenders through the Facility Agent under this Credit Agreement shall be made in USD without any deduction not later than 10.00 a.m. London time on the respective due date at the Facility Agent's free disposal to the account of the Facility Agent held with JPMorgan Chase, New York, SWIFT CHASUS33, account number 001.1.643293, for further credit to INGBNL2A quoting ref. SF&AS/HE03.01/MTS-Ericsson or such other account with such other financial institution as notified by the Facility Agent to the Borrower.

- 9.2 The Borrower shall not be entitled to exercise any right of retention or to set off any counterclaims against claims arising from this Credit Agreement against any Lender unless such counterclaims exist against the Lender that the Borrower exercises the right of retention or set off against, and such counterclaims have been accepted by that Lender in writing or have otherwise been adopted or consistently relied upon.

- 9.3 If the Facility Agent receives a payment insufficient to discharge all the amounts then due and payable by the Borrower under this Credit Agreement, the Facility Agent on behalf of the Lenders shall, notwithstanding any converse instruction given by the Borrower, apply incoming payments in the following order:

- (i) firstly, in or towards any costs and expenses due and payable hereunder;
- (ii) secondly, in or towards payment of any fees due and payable hereunder;
- (iii) thirdly, in or towards payment of any default interest and/ or indemnification then due and payable as provided for in Clauses 9.4 and 9.5;
- (iv) fourthly, in or towards payment of any contractual interest due and payable hereunder;

- (v) fifthly, in or towards repayment of any principal amount due and payable hereunder;
- (vi) sixthly, in or towards payment of any other amount (including any indemnification other than such as under Clause 9.5) due and payable hereunder.

- 9.4 The Lenders through the Facility Agent shall be entitled to demand on repayment instalments overdue default interest at a rate which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time.
- 9.5 The Lenders through the Facility Agent shall be entitled to demand on amounts overdue other than repayment instalments, a lump sum indemnification which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time.
- 9.6 All payments owed by the Borrower as per Clauses 9.4 and 9.5 shall be made immediately upon the Facility Agent's first demand except when under the applicable Russian currency regulations the Borrower is required to reserve a particular amount of payment at a special account prior to proceeding with a transfer of such amounts to the benefit of the Facility Agent. In the latter case the delay in payment shall not exceed the particular reservation period specified in the Russian currency regulations applicable to the Borrower.
- 9.7 If a due date on which a payment of the Borrower must have been received at the free disposal of the Facility Agent is not a Banking Day, the next succeeding Banking Day shall be the due date, unless such Banking Day falls into a new calendar month in which event the due date shall be the preceding Banking Day. The obligations of the Borrower to pay interest and fees shall accrue accordingly.

10. Taxes, Levies, Duties and Other Costs

10.1 Definitions

a) In this Credit Agreement

“Protected Party” means a Lender, which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under this Credit Agreement.

“Qualifying Lender” means a Lender, which is situated for tax purposes in (i) the Russian Federation, (ii) in a Tax Treaty Jurisdiction or (iii) in the United Kingdom or Sweden.

“Tax” means any tax, levy, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Tax Credit” means a credit against, relief or remission for, or repayment of any Tax.

“Tax Deduction” means a deduction or withholding for or on account of Tax from a payment under this Credit Agreement.

“Tax Payment” means an increased payment made by the Borrower to a Lender under Clause 10.2 or a payment under Clause 10.3.

“Tax Treaty Jurisdiction” means a jurisdiction, which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian

Federation has succeeded), which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction.

- b) Unless a contrary indication appears, in this Clause 10 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

10.2 Tax Gross up

- a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. Upon receipt by the Facility Agent of such notification from a Lender, the Facility Agent shall notify the Borrower.
- c) Subject to paragraph d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower to the Lenders shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- d) The Borrower is not required to make an increased payment to a Lender under paragraph c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to that Lender without a Tax Deduction if that Lender was a Qualifying Lender, but on that date that Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became a Lender under the Credit Agreement in (or in the interpretation, administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).
- e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in such amount as required by law.
- f) The Borrower shall pay to the relevant taxation or other authorities within the period for payment permitted by applicable law the full amount of the deduction or withholding (including but without prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any additional amount paid pursuant to this sub-clause).
- g) Promptly upon making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Facility Agent for a Lender entitled to the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10.3 Tax Indemnity

- a) The Borrower shall promptly pay to a Protected Party through the Facility Agent an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of this Credit Agreement.
- b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Lender:

- (A) under the law of the jurisdiction in which that Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Lender is treated as resident for tax purposes; or
- (B) under the law of the jurisdiction in which that Lender's facility office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Lender; or

- (ii) to the extent a loss, liability or cost:
 - (C) is compensated for by an increased payment under Clause 10.2; or
 - (D) would have been compensated for by an increased payment under Clause 10.2 but was not so compensated solely because one of the exclusions in paragraph d) of Clause 10.2 applied.
- c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.
- d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 10.3, notify the Facility Agent.

10.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Lender determines that:

- (a) A Tax Credit is attributable to that Tax Payment; and
- (b) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall once it has irrevocably obtained, utilised and retained that Tax Credit on an affiliated group basis, promptly pay through the Facility Agent an amount to the Borrower which that Lender determines will leave the Lender (after that payment) in the same after-tax position as it would have been in had the Tax Payment not been made by the Borrower.

However, if the relevant Lender should be obliged by any law, regulation or court or any other official decision to repay any Tax Credit obtained by such Lender and paid to the Borrower pursuant to the preceding paragraph, or if any such Tax Credit should otherwise be officially revoked, the Borrower shall promptly upon demand of such Lender and against reasonable evidence of such repayment obligation or revocation, as the case may be, refund the respective Lender through the Facility Agent of such amount.

- 10.5 Without prejudice to the Borrower's obligations/the Lenders' rights according to Clause 10.2 and 10.3, in the event of withholding taxes being imposed in the Russian Federation on payments due under this Credit Agreement that are eligible for exemption and provided that the Borrower and/or the Lenders can claim such exemption with the result that they are released from any obligation to pay such taxes, the Borrower hereby undertakes to apply with the competent authorities in the Russian Federation to be exempted and released from such taxes and to provide the Facility Agent with a tax exemption certificate or any other evidence of such tax exemption, all in form and substance as reasonably may be required by the Lenders through the Facility Agent. In turn, in order to enjoy the benefits of an applicable convention on avoidance of double taxation each Lender undertakes to do everything within its sole control to submit to the Borrower a certificate of its residence in the form and in the manner required by Russian Law, provided that any expenses incurred by a Lender in doing so shall be borne by the Borrower. The form of the certificate as well

as its main items shall be advised by the Borrower to the Facility Agent and the Lenders in writing reasonably in advance.

- 10.6 Without prejudice to the Lenders' rights under this Credit Agreement, in particular under this Clause 10, the Borrower shall pay to, or reimburse the Lenders through the Facility Agent upon demand for (i) any stamp duties, registration fees and similar taxes and charges in connection with this Credit Agreement and (ii) all legal fees (including VAT) and out-of-pocket expenses incurred by the Lenders and/or the Facility Agent in connection with the negotiation, preparation, documentation and execution of this Credit Agreement provided that in relation to Credit A only all such fees and expenses shall not exceed USD 47,000.00 (plus VAT and disbursements, plus costs for required translation of any of the finance documents related to this Credit Agreement into the Russian language) and (iii) any costs, including lawyer's fees and taxes arising thereon, in connection with the preservation and enforcement of the Lenders' rights under this Credit Agreement.
- 10.7 Each Lender and the Facility Agent hereby undertake prior to issuance of any invoices to the Borrower to discuss the invoicing procedure with the Borrower in written correspondence and further undertake to provide the Borrower upon its written request as soon reasonably practicable with the original invoices and an original (updated) residency certificate (apostilled and together with a translation into Russian)
- 10.8 No provision of this Credit Agreement will:
- (a) interfere with the right of any Lender to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
 - (b) oblige any Lender to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
 - (c) oblige any Lender to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

11. Guarantee of EKN for tied Buyer's Credits

- 11.1 The EKN Agent on behalf of the Lenders has applied for insurance cover of 95% of the Lenders' claims arising from this Credit Agreement by EKN by means of an insurance agreement (the "Insurance Agreement"). Credit A will be made available on the basis of such Insurance Agreement and the terms and conditions governing it. In the event that additional insurance cover is provided by EKN for the purposes of financing being made available for Credit B hereunder, then Credit B will be made available on the basis of such supplemental insurance ("Supplemental Insurance Agreement") and the terms and conditions governing it.

Lenders are entitled to give information on the Credit Agreement and the transactions contemplated thereby to EKN, the competent authorities of Sweden and the European Union and to allow such authorities perusal of all records that may be connected with this Credit Agreement and to furnish them with copies thereof.

- 11.2 The Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the aggregate amount of premiums and charges (the "Insurance Premium") payable by the Lenders through the Facility Agent to EKN under the Insurance Agreement for insurance cover of their payment claims arising from Credit A of this Credit Agreement.

The Insurance Premium shall be paid by the Borrower immediately upon written demand by the Facility Agent in accordance with Annex 1c or Annex 1e, as the case may be, provided that the insurance premium is payable (and is either already due or will become due shortly) by the Lenders to EKN under the Insurance Agreement.

- 11.3 In the event that additional financing in the form of Credit B is made available to the Borrower, the Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the additional amount of premiums and charges (the "Additional Insurance Premium") payable by the Lenders through the Facility Agent to EKN under the Supplemental Insurance Agreement for additional insurance cover of their payment claims arising from Credit B of this Credit Agreement. The second paragraph of Clause 11.2 shall apply mutatis mutandis hereto.
- 11.4 Prior to the first Repayment Date under this Credit Agreement or - in case of disbursements or reimbursements after such date - upon disbursement in full of the Credits, the Facility Agent will procure the recalculation by EKN of the amount of Insurance Premium (or as applicable, the amount of Additional Insurance Premium) payable to EKN and will provide the Borrower with reasonable evidence of the correctness of such recalculation if the Insurance Premium (or as applicable, the Additional Insurance Premium) payable for cover with respect to this Credit Agreement does not equal the aggregate amounts which the Borrower has paid to the Facility Agent as per Clause 11.2 or, as the case may be, Clause 11.3 hereof towards reimbursement of such Insurance Premium (or as applicable the Additional Insurance Premium).

If the aggregate amount reimbursed by the Borrower is more than the respective Insurance Premium (or if applicable, the Additional Insurance Premium), on the Interest Payment Date following the date on which the Lenders have received the excess amount from EKN the Lenders through the Facility Agent will refund the excess amount to the Borrower. Payment of the excess amount to the Borrower as per the preceding sentence shall be made by the Lenders through the Facility Agent by application of the amounts thus to be refunded to the Borrower towards partial prepayment of the Credit disbursed and then still outstanding under this Credit Agreement. In order to achieve the purpose laid down in this paragraph on the due date thereof the excess amount to be paid to the Borrower shall - at the option of the Lenders either equally and proportionally or in the inverse order of maturities - be set off by the Lenders against repayment installments then still outstanding under this Credit Agreement without any prior notice by the Lenders to the Borrower with regard thereto. The Lenders through the Facility Agent will inform the Borrower without delay of any such set-off.

If the aggregate amount paid by the Borrower towards reimbursement against the respective Insurance Premium (or if applicable, the Additional Insurance Premium) was less than the Insurance Premium (or if applicable, the Additional Insurance Premium) payable by the Lenders, the Borrower undertakes upon request of the Facility Agent within 30 calendar days to pay to the Facility Agent the balance in favor of the Lenders.

12. Suspension of Disbursement, Payments Immediately Due (Events of Default)

- 12.1 The Lenders acting through the Facility Agent shall be entitled to suspend each and/or any future disbursement of the Credits in whole or in part, and/or to terminate this Credit Agreement, and/or to demand immediate repayment of all credit amounts outstanding, as well as the payment of all interest and fees accrued thereon, any charges and other claims incidental thereto, if:
- a) the Borrower fails to fulfil any payment obligation whether in respect of principal, interest or any other amount under this Credit Agreement when due and payable unless
 - (i) its failure to pay is caused by administrative or technical error; and
 - (ii) payment is made within three Banking Days of the due date;
 - or
 - b) the Borrower breaches or fails to fulfil any other obligation under this Credit Agreement and in case of any such breach or failure capable of being remedied, such failure or breach is not remedied within 10 Banking Days after the Facility Agent has notified the Borrower in writing of such failure or breach;

or

- c) any representation, warranty or statement in this Credit Agreement or any other document provided by the Borrower under the terms of this Credit Agreement is or proves to be or to have been incorrect or untrue in any material respect at any time during the term of this Credit Agreement and in case that such incorrectness is capable of being remedied - whereas the determination of such capability shall be upon the sole but reasonable discretion of the Lenders - such incorrectness is not cured within 15 Banking Days after the Facility Agent has notified the Borrower in writing of such incorrectness;

or

- d) the Borrower shall fail to pay when due or within any applicable period of grace any indebtedness owed to any of the Lenders or to any other creditor, provided, however, that in relation to any such indebtedness owed by the Borrower to any creditor other than any of the Lenders (including any of their Affiliates) such failure by the Borrower shall not constitute an event of default under this sub-clause if (i) the overdue amounts in relation to the Borrower in aggregate do not exceed USD 10,000,000.00 or the equivalent thereof in any other currency, or (ii) in the event of any such failure by the Borrower exceeding the aforementioned amount any such default is remedied (including by waiver or amendment) within 15 calendar days after the due date of the respective payment obligation or after lapse of any applicable period of grace unless the respective creditor accelerates the relevant indebtedness before;

or

- e) at any time it shall become unlawful for the Borrower (provided that such event, if capable of being cured in the reasonable opinion of the Lenders, is not cured within 30 Business Days from the date it became unlawful) to perform any or all of its obligations under this Credit Agreement (including, without limitation, any governmental or other consent, licence or authorisation required to make this Credit Agreement legal, valid, binding and enforceable, or required at any time to enable the Borrower to perform its obligations under this Credit Agreement, ceasing to be in full force and effect);

or

- f) any material provision of this Credit Agreement is or becomes invalid or unenforceable;

or

- g) the Borrower shall enter into voluntary suspension of payments, bankruptcy, liquidation or dissolution, or shall become insolvent, or a receiver or liquidator shall be appointed on all or any material part of the undertaking or assets of the Borrower or proceedings are commenced by or against the Borrower under any law or regulation providing for any reorganisation, arrangement, readjustment of debts, dissolution or liquidation or any act shall be done or event shall occur which under the laws of the relevant jurisdiction has a substantially similar effect to any of the foregoing act or event, provided that an event of default will not occur under this sub-clause g) in respect of any petition or application being initiated or commenced by any person other than the Borrower if the petition or application is - in the sole discretion of the Lenders - frivolous or vexatious and is withdrawn or rejected within 30 calendar days from the date of such application and before a court order for the commencement of any such procedure has been made;

or

- h) the Borrower admits its inability to meet its payment obligations to any of the Lenders or to any other creditor or to convert the funds necessary to effect such payments into the currency payable under agreements with parties domiciled outside of its country or to transfer such

payments, or the Borrower admits - towards any of the Lenders - its unwillingness with regard to any of the aforementioned actions;

or

- i) any material adverse change shall occur in the financial condition or operations, assets, prospects, business or the legal status of the Borrower such that it is reasonably likely that the Borrower may not, or will be unable to perform or observe its obligations under this Credit Agreement,

provided, however, that in case of the occurrence of any of the events as stipulated in sub-clauses a), b), c) and d) of this Clause 12.1, for so long as such events are continuing the Lenders through the Facility Agent shall be entitled to suspend disbursements / reimbursements under this Credit Agreement prior to the expiry of the grace period for remedy of the relevant events of default.

- 12.2 Insofar as any statements made by the Facility Agent according to Clause 12.1 are sent by airmail (with a copy by fax), these statements shall be deemed to have been received not later than on the 10th Banking Day after their dispatch. If such statements are made by means of telecommunication, the day following their dispatch shall be deemed as the date of receipt.

13. Representations and Warranties

The Borrower hereby represents and warrants to the Lenders that

- a) the Borrower is a corporation duly incorporated under the laws of the Russian Federation, validly existing and in good standing;
- b) the Borrower has the power to own its assets and carry on its business as it is being conducted;
- c) the Borrower is not entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in the Russian Federation in relation to this Credit Agreement;
- d) the Borrower has full power and legal right to execute, deliver and to perform this Credit Agreement;
- e) the execution, delivery and performance of this Credit Agreement will not violate any provisions of, and have duly and validly been authorised under, the laws, regulations, orders and decrees of the Russian Federation or any other competent Russian authority and all consents, licences, approvals, authorisations and instrumentalities of, and registrations and/or declarations with any authority within the Russian Federation required in connection with the valid execution, delivery, performance or enforceability of this Credit Agreement (including without limitation the obtaining and transfer in USD of all amounts due under this Credit Agreement) have been obtained and made and are in full force and effect;
- f) each action necessary under the statutes of the Borrower or under any other agreement or instrument binding on the Borrower to authorise the execution, delivery and/or performance of this Credit Agreement has been duly taken and the execution, delivery and performance of this Credit Agreement will not conflict with, or constitute a breach of the statutes of the Borrower or any such agreement or instrument binding upon the Borrower;
- g) the Borrower is not in default under any agreement or instrument constituting present or future payment obligations as debtor, surety or guarantor;
- h) other than the UMC Litigation no litigation, administration or insolvency proceedings are pending or, to the knowledge of the Borrower are threatened, which adversely determined, would reasonably be expected to have a material adverse effect on the assets or financial

condition of the Borrower or on its right or ability to perform its obligations hereunder or would affect the legality, validity or enforceability of this Credit Agreement; and

- i) all its payment obligations in connection with this Credit Agreement rank at least pari passu in point of preference and security with all other unsecured and unsubordinated existing and future indebtedness owed to any creditor other than the Lenders, except for any preference being due to mandatory law.

14. Financial Statements, Information and Undertakings (Covenants)

Until such date as all obligations incurred under this Credit Agreement have been fulfilled in full, the Borrower shall:

- a) furnish the Facility Agent within 6 months from the end of its financial year with audited annual financial statements (including profit and loss accounts and explanatory notes) prepared in accordance with US GAAP (US Generally Accepted Accounting Principles, Standards and Practices) and provide the Facility Agent with such additional financial information as the Facility Agent may from time to time reasonably request. In the event that completion and adoption of the financial statements should be delayed, the Borrower shall furnish the Facility Agent with provisional profit and loss accounts and balance sheet figures within 6 months after the end of its financial year;
- b) inform the Facility Agent without delay of the occurrence of any of the events mentioned in Clause 12 hereof and in the event any of the Representations and Warranties mentioned in Clause 13 hereof ceases to be true or correct in any material respect;
- c) only with the prior written consent of the Lenders agree upon any modification and/or amendment to the Export Contracts or, as the case may be, the Additional Export Contract, which represents a material change to the Export Contracts or Additional Export Contract, including but not limited to changes in the price/currency, terms of payment, country of origin, delivery and/or installation periods etc.;
- d) obtain and keep in full force all authorisations, licenses, approvals and permits (governmental or otherwise) which are required for the validity and enforceability of this Credit Agreement;
- e) comply with all applicable laws, rules, regulations and orders including all environmental laws and all applicable restrictions imposed by all governmental authorities (including but not limited to the central bank of the Russian Federation) and do all such acts and things which are required thereunder, if failure so to comply will or in the reasonable opinion of the Lenders may, materially impair the ability of the Borrower to perform its obligations, whether in respect of any payment of principal, interest, fees, costs or expenses or otherwise, under this Credit Agreement in strict compliance with its terms;
- f) procure that no substantial change is made to the general nature or scope of its business from that carried out on the date of this Credit Agreement and forthwith inform the Facility Agent of any circumstances which might result in such change provided that the Borrower may amalgamate, merge, demerge or consolidate with any Affiliate as part of any corporate restructuring unless any such action would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;
- g) immediately upon the Borrower's knowledge or awareness thereof inform the Facility Agent of any forthcoming amalgamation, demerger, merger, consolidation or corporate reconstruction of the Borrower;
- h) ensure that neither in a single transaction nor in a series of transactions, whether related or not, all or any substantial part of its assets are sold, transferred, granted or leased or

otherwise disposed of unless such sale, transfer, grant, lease or disposal is:

- (i) made in the ordinary course of trading of the disposing entity;
- (ii) of assets in the exchange for other assets comparable or superior as to type, value and quality;
- (iii) made by the Borrower to any Affiliate of the Borrower unless any such transaction would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;
- (iv) for cash or cash equivalents;
- (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with US GAAP) does not exceed 25% of the Borrower's Total Assets in any financial year of the Borrower and provided that at all times the disposal of such assets will be made for full consideration and will not lead to any material adverse change which would fall within the scope of Clause 12.1 i). At the request of the Facility Agent (any such request to be made no more than once per calendar quarter, unless an Event of Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with US GAAP); or
- (vi) involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not the Borrower or any of its Subsidiaries.

When calculating the Borrower's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available, the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Facility Agent.

- i) do all such things as are necessary to maintain its corporate existence and ensure that it has the right and is duly qualified to conduct its business;
- j) not create or agree to create any mortgage, charge, pledge, lien or other security interest on the whole or any part of its assets to secure any indebtedness owed to any creditor other than the Lenders (for the avoidance of doubt, any suretyship or guarantee shall not be deemed a security for the purposes of this paragraph), unless the Credits shall at the same time be secured equally and rateably therewith to the Lenders' satisfaction other than any Permitted Lien (as defined hereinafter)

"Permitted Lien" means:

- (i) any lien on any property or assets of any person existing at the time such person is merged or consolidated with or into the Borrower and not created in contemplation of such event;
- (ii) any lien existing on any property or assets prior to the acquisition thereof by the Borrower and not created in contemplation of such acquisition;
- (iii) any lien on any property or assets securing indebtedness of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring or constructing or refurbishing any property or assets, provided that the aggregate principal amount of all indebtedness secured by liens under this sub-Clause (iii) shall not exceed the lower

of (x) the purchase price of such property or assets and (y) the fair market value of such property or assets at the time of acquisition, or construction or refurbishment;

- (iv) any netting or set-off arrangement entered into in the ordinary course of the Borrower's banking arrangements for the purpose of netting debit and credit balances;
 - (v) any lien arising by operation of law either (a) in the ordinary course of business; or (b) in respect of taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
 - (vi) any lien on the property or assets of the Borrower securing inter-company indebtedness;
 - (vii) any extension, renewal or replacement of any lien described in sub-Clauses (i) to (vi) above, provided that (a) such extension, renewal or replacement shall be no more restrictive in any material respect than the original lien, (b) the amount of indebtedness secured by such lien is not increased and (c) if the property, income or assets securing the indebtedness subject to such lien are changed in connection with such refinancing, extension or replacement, the fair market value of the property, income or assets is not increased;
 - (viii) any other lien, pledge, mortgage or other type of encumbrance, provided that immediately after giving effect to such lien, pledge, mortgage or other type of encumbrance the Borrower's secured indebtedness in the aggregate do not exceed 10% of the book value of the aggregate amount of the Borrower's total assets, determined by reference to its most recent quarterly or, as the case may be, audited annual unconsolidated balance sheet;
 - (ix) easements, rights-of-way, and any other similar charges and legally binding restrictions or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Borrower or the Business of any Subsidiary of the Borrower, including any encumbrance with respect to an equity interest of any joint venture agreement;
- k) ensure that its payment obligations under this Credit Agreement rank at least pari passu with all its other present and future unsecured payment obligations.

15. Assignability

15.1 The Borrower may not assign all or any of its rights and claims under this Credit Agreement.

15.2 Unless (i) the assignment is to an Affiliate of a Lender or to another Lender or to EKN or SEK or (ii) an Event of Default has occurred, any assignment occurring after the date of this Credit Agreement by any Lender shall require the consent of the Borrower, provided that (x) such consent shall not be unreasonably withheld or delayed; and (y) unless the Borrower has notified the Facility Agent to the contrary within 5 Banking Days of receiving notice of the intended assignment, the Borrower will be deemed to have given consent to that assignment.

15.3 Any Lender may also disclose to any person to whom it assigns or intends to assign its rights and obligations hereunder such information about the Borrower and the Credit Agreement, as such Lender shall consider necessary.

16. Statements and Notices

16.1 Any notices or other communications in connection with this Credit Agreement are to be made by letter or by written means of telecommunication, and to be sent to the following addresses:

Borrower: OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Telefax: + 7 095 223-2168
Attention of Ms. Marina V. Zabolotneva
Head of the Treasury Department

Facility Agent: ING Bank N.V.
(for and on behalf of Syndicated Loans / Agency HD 01.05
the Lenders) Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Telephone:+31 20 563 5140
Telefax:+31 20 576 8785
Attention of: Mr Kenneth
van Coblijn, Senior Officer
Syndicated Loans

16.2 The Borrower shall provide the Facility Agent with specimen signatures in form and substance as per Annex 4 of those persons who are authorised to act on its behalf.

16.3 Any alteration in the above-mentioned companies' names, addresses and power of representation shall be binding upon the other contracting party only upon receipt by such other party of written notification or documents evidencing such alteration.

16.4 All correspondence between the parties hereto shall be conducted and carried out in the English language. Should the wording of any document be in a language other than English such document shall be accompanied by a translation certified to be true and accurate that is either authorised by the person who produced it or by a sworn translator.

17. Miscellaneous

17.1 The Borrower shall perform its obligations under this Credit Agreement notwithstanding any failure by the Exporter to fulfil its obligations under the Export Contracts, or any Additional Export Contract or otherwise and the Borrower shall not use any such failure as an excuse, defence, set-off or counterclaim in respect of the Borrower's obligations under this Credit Agreement.

17.2 In satisfaction of the Lenders' respective obligations under the Money Laundering Act, to record the economical beneficiary of borrowing hereunder, the Borrower hereby confirms that the borrowing of the Credits is made on its own behalf and for its own account.

18. Currency Indemnity

In the event that for the purpose of obtaining judgement in any court of any country or enforcement of any judgement by the Lenders it becomes necessary to convert an amount of the currency due hereunder (the "Agreed Currency"), into an amount of another currency (the "Judgement

Currency”), then the amount due hereunder, expressed in the Judgement Currency, shall be determined on the basis of the rate of exchange at which the Facility Agent for account of the Lenders is able to purchase the relevant amount of the Judgement Currency on the Banking Day immediately before the day on which the judgement is given or on such earlier date as may be required by the procedural law of the court in which the judgement is sought (the “Agreed Conversion Date”).

In the event of a change in such rate of exchange between the Agreed Conversion Date and the date of actual payment, the Borrower shall pay such additional amounts of the Judgement Currency (or the Lenders through the Facility Agent shall remit to the Borrower amounts of such currency) as may be appropriate to ensure that the amounts of the Judgement Currency paid by the Borrower, when converted at the rate of exchange as defined above prevailing at the date of actual payment, shall produce in total the amount of the Agreed Currency due hereunder together with any premium or costs of exchange payable in connection with the purchase or conversion into the Agreed Currency.

Any such additional amounts due shall be due as a separate debt and shall not be affected by a judgement being obtained for any other sums due under or in respect of this Credit Agreement.

19. Applicable Law and Jurisdiction

19.1 This Credit Agreement, as well as all the rights and obligations arising therefrom, shall be governed by and construed in accordance with the laws of England.

19.2 Any dispute, claim or controversy arising out of or in connection with this Credit Agreement including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the London Court of International Arbitration (LCIA) Rules (for the purpose of this subclause, the Rules).

The Rules are incorporated by reference into this subclause and capitalised terms used in this Subclause which are not otherwise defined in this Agreement, have the meaning given to them in the Rules.

Such arbitration shall be conducted by three arbitrators, one of whom shall be nominated by the claimant(s), one by the defendant(s) and the third to be agreed between the two arbitrators so appointed and, if the two arbitrators cannot appoint the third arbitrator within 30 days of their appointment, the third arbitrator shall be appointed by the President of the LCIA. If no arbitrator is appointed by either of the parties within 30 days of a party electing to use arbitration under paragraph (a) above, all three arbitrators will be appointed by the President of the LCIA. If all disputing parties agree, the President of the LCIA may appoint a sole arbitrator.

The seat, or legal place of any arbitration shall be London and the language to be used in the proceedings English.

20. General Provisions

20.1 This Credit Agreement shall not be capable of being waived, modified or varied otherwise than by an express waiver, modification or variation in writing. Any delay or failure on the part of the Lenders and/or the Facility Agent in exercising any of their rights under this Credit Agreement shall not be regarded as a waiver of these rights or as acquiescence in any conduct contravening the terms of this Credit Agreement. Exercise of single rights only, or merely partial exercise of any rights shall not preclude the claiming in the future of any rights not yet or only partially exercised.

20.2 In the event of any provisions laid down in this Credit Agreement being or becoming wholly or partially ineffective in law, the other provisions of this Credit Agreement shall remain in force.

Any insufficiency thus created shall be filled by a corresponding provision consistent with the spirit and purpose of this Credit Agreement.

20.3 This Agreement shall be executed in the English language.

OJSC Mobile TeleSystems

(legally binding signature(s))

Citibank, N.A., in its capacity as Mandated Lead Arranger

(legally binding signature(s))

ING Bank N.V., in its capacity as Mandated Lead Arranger

(legally binding signature(s))

ING Bank N.V., in its capacity as Facility Agent

(legally binding signature(s))

ING Bank N.V., in its capacity as Lender

(legally binding signature(s))

Citibank International plc in its capacity as Lender

(legally binding signature(s))

Citibank International plc. in its capacity as EKN Agent

(legally binding signature(s))

ING Bank N.V.
Syndicated Loans / Agency HD 01.05
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Attention of: Mr Kenneth van Coblijn, Senior Officer Syndicated Loans

Certificate for Reimbursement

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548

[as increased by USD 36,570,937 *](the "Credit Agreement")

We hereby confirm to you that we have paid to the Exporter an amount of USD _____ representing the last 85% of the total value of deliveries made by the Exporter under the Export Contracts / Additional Export Contract* during the period from _____(date) to _____(date).

According to Clause 3.2.a) of the Credit Agreement, the amount of USD _____ is thus to be paid to us to our account no. _____ with _____

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

We, the undersigned, herewith confirm that:

- (i) We have made the above captioned deliveries and have received the above-mentioned amount(s)
- (ii) We have received the 15% down payment associated with the above captioned deliveries.
- (iii) The goods delivered are eligible for financing under this Credit Agreement and are eligible for support under the terms of the [Insurance Agreement] / [the Supplemental Insurance Agreement] *

(place)(date)

Ericsson AB

(legally binding signature(s) of the Exporter)

* *Please delete as appropriate*

ING Bank N.V.
Syndicated Loans / Agency HD 01.05
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Attention of: Mr Kenneth van Coblijn, Senior Officer Syndicated Loans

Certificate for Disbursement

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD [36,570,937]*](the "Credit Agreement")

We hereby confirm to you that during the period from _____(date) to _____(date) we have made deliveries of _____ under the Export Contracts / Additional Export Contract* in the total value of USD _____ and we have presented to you documents in conformity with Clause 3.2.b) of the Credit Agreement.

At present, the amount due to us under the Export Contracts / Additional Export Contract* on the basis of the aforementioned deliveries amounts to 85% of the deliveries.

We confirm having received the 15% down payment associated with the aforementioned deliveries.

According to Clause 3.2.b) of the Credit Agreement, the amount of USD _____ is thus to be paid to us. Please effect payment to us to our account no. _____ with _____ .

We, the undersigned, herewith confirm that:

- (i) We have made the above captioned deliveries and have received the above-mentioned amount(s)
- (ii) We have received the 15% down payment associated with the above captioned deliveries.
- (iii) The goods delivered are eligible for financing under this Credit Agreement and are eligible for support under the terms of the [Insurance Agreement] / [the Supplemental Insurance Agreement] *

(place) (date)

Ericsson AB

(legally binding signature(s) of the Exporter)

** Please delete as appropriate*

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Certificate for Disbursement
for the Insurance Premium

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD [36,570,937]*](the “Credit Agreement”)

Dear Sirs,

As per the attached copy of the EKN Guarantee offer dated _____ the Insurance Premium / Additional Insurance Premium* in the amount of USD _____ was/will become due and payable to EKN on _____. According to Clause 11.2 / 11.3* of the Credit Agreement, the amount of USD _____ is payable to us/ In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2 / 11.3* please pay to us the Insurance Premium / Additional Insurance Premium* calculated by the Facility Agent to amount to USD _____ which will become due and payable to EKN shortly*.

Please remit the aforementioned amount to []. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

Amsterdam, _____

ING Bank N.V.

*** Please delete as appropriate**

ING Bank N.V.
Syndicated Loans / Agency HD 01.05
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Attention of: Mr Kenneth van Coblijn, Senior Officer Syndicated Loans

Certificate for Reimbursement
in case of application of the Special Payment Procedure

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD [36,570,937]*](the "Credit Agreement")

We hereby confirm to you that the Exporter made deliveries/rendered services* under the Export Contracts / Additional Export Contract* during the period from _____(date) to _____(date) in the total amount of USD _____ and that we have instructed the Passport Bank to effect payment of USD _____ to the Exporter representing the last 85% of the total value of such deliveries made/services rendered*.

According to Clause 3.2.a) of the Credit Agreement, the amount of USD _____ is thus to be paid to us to our account no. _____ with the Passport Bank.

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

** Please delete as appropriate*

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Certificate for Disbursement for the Insurance Premium
in case of application of the Special Payment Procedure

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD 36,570,937*](the "Credit Agreement")

Dear Sirs,

As per the attached copy of the EKN guarantee offer dated _____ the Insurance Premium in the amount of USD _____ was/will become due and payable to EKN in connection with the first Drawdown as specified by EKN

According to Clause 11.2 of the Credit Agreement, the amount of USD _____ is payable to us/In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2 please pay to us, through the Passport Bank, the Insurance Premium calculated by the Facility Agent to amount to USD _____ which will become due and payable to EKN shortly*.

Please instruct the Passport Bank to remit the aforementioned amount to us in accordance with the terms and conditions of the certain disbursement agreement entered into between you, us and the Passport Bank, and which provides for the Special Payment Procedure. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

Amsterdam, _____

ING Bank N.V.

** Please delete as appropriate*

ING Bank N.V.
Syndicated Loans / Agency HD 01.05
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Attention of: Mr Kenneth van Coblijn, Senior Officer Syndicated Loans

Request for a fixed interest rate

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD [36,570,937]*](the "Credit Agreement")

We refer to Clause 5.2 (d) of the Credit Agreement. We hereby request the Lenders to offer us a fixed interest rate for all amounts outstanding under the Credit Agreement and for the remaining amount and lifetime of the Credits.

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

ING Bank N.V.
Syndicated Loans / Agency HD 01.05
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Attention of: Mr Kenneth van Coblijn, Senior Officer Syndicated Loans

Confirmation of Mean delivery of Equipment and Software
in relation to the Export Contracts

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD [36,570,937]*](the “Credit Agreement”)

We hereby confirm to you that in respect of the Export Contracts as mentioned in the Preamble of the above-mentioned Credit Agreement the mean delivery of equipment and software and for operation in relation to the several operation units (starting point) took place on _____ .

(place)

(date)

(legally binding signature(s) of the Exporter)

** Please delete as appropriate*

-

ING Bank N.V.
Syndicated Loans / Agency HD 01.05
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Attention of: Mr Kenneth van Coblijn, Senior Officer Syndicated Loans

Confirmation of Mean delivery of Equipment and Software
in relation to the Additional Export Contract

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD [36,570,937]*](the “Credit Agreement”)

We hereby confirm to you that in respect of the Additional Export Contract as mentioned in the Preamble of the above-mentioned Credit Agreement the mean delivery of equipment and software in relation to the additional operation units (starting point) took place on _____ .

(place)

(date)

(legally binding signature(s) of the Exporter)

** Please delete as appropriate*

-
ING Bank N.V.
Syndicated Loans / Agency HD 01.05
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Attention of: Mr Kenneth van Coblijn, Senior Officer Syndicated Loans

Specimen Signature List

Credit Agreement dated [date], 2005 in the amount of USD 130,752,548 [as increased by USD [36,570,937]*](the “Credit Agreement”)

Dear Sirs,

Pursuant to the provisions of the above Credit Agreement we are required to provide you with certified specimen signatures of those persons authorised to act on our behalf in connection with the said Credit Agreement.

Accordingly, we herewith confirm to you that the persons listed hereafter are authorised to act on our behalf in connection with the said Credit Agreement.

A. Persons (if any) authorised to sign singly:

Person	First Name	Surname	Position	Date of Birth	Place of Birth	Nationality
1						
2						
3						

Person	Address	Sort and Number of Identity Card	Identity Card Issuing Authority	Specimen Signature
1				
2				
3				

B. Persons authorised to sign jointly with any person from Group A or B:

Person	First Name	Surname	Position	Date of Birth	Place of Birth	Nationality
1						
2						
3						

Person	Address	Sort and Number of Identity Card	Identity Card Issuing Authority	Specimen Signature
1				
2				
3				

I, _____ (please specify title), hereby certify that the specimen signatures listed above are the authentic signatures of persons authorised to act on the Borrower's behalf in connection with the Credit Agreement in the amount of USD

_____ (place)

_____ (date)

_____ (legally binding signature of

_____)

I/We, _____ (ING Bank (Eurasia) ZAO, Moscow), hereby certify the authenticity of the above signature of

(ING Bank (Eurasia) ZAO, Moscow)
(place) (date)

(legally binding signature(s))

** Please delete as appropriate*

DOC 21 Header

EXECUTION COPY

Dated 8 December 2004

Operation Number 35648

US\$150,000,000

FACILITY AGREEMENT

between

MOBILE TELESYSTEMS OPEN JOINT STOCK COMPANY

as Borrower

and

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

as Lender

Linklaters CIS

Paveletskaya sq. 2, bld. 2
Moscow 115054

Telephone (7-095) 797 9797
Facsimile (7-095) 797 9798

Ref MIYB

CONTENTS

<u>CLAUSE</u>	<u>PAGE</u>
SECTION 1 INTERPRETATION	1
1 DEFINITIONS AND INTERPRETATION	1
SECTION 2 THE FACILITY	10
2 THE FACILITY	10
3 PURPOSE	10
4 CONDITIONS OF UTILISATION	10
SECTION 3 UTILISATION	11
5 UTILISATION	11
SECTION 4 REPAYMENT, PREPAYMENT AND CANCELLATION	12
6 REPAYMENT	12
7 PREPAYMENT AND CANCELLATION	12
SECTION 5 COSTS OF UTILISATION	15
8 INTEREST	15
9 INTEREST PERIODS	16
10 CHANGES TO THE CALCULATION OF INTEREST	16
11 FEES	17
SECTION 6 ADDITIONAL PAYMENT OBLIGATIONS	18
12 TAX GROSS-UP AND INDEMNITIES	18
13 INCREASED COSTS	20
14 OTHER INDEMNITIES	21
15 MITIGATION BY THE LENDER	22
16 COSTS AND EXPENSES	22
SECTION 7 REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT	23
17 REPRESENTATIONS	23
18 INFORMATION UNDERTAKINGS	27
19 FINANCIAL COVENANTS	30
20 GENERAL UNDERTAKINGS	31
21 EVENTS OF DEFAULT	36
SECTION 8 CHANGES TO PARTIES	41
22 CHANGES TO THE LENDER	41
23 CHANGES TO THE BORROWER	42
SECTION 9 THE LENDER	43

24 CONDUCT OF BUSINESS BY THE LENDER	43
SECTION 10 ADMINISTRATION	44
25 PAYMENT MECHANICS	44
26 SET-OFF	45
27 NOTICES	45
28 CALCULATIONS AND CERTIFICATES	46
29 PARTIAL INVALIDITY	46
30 REMEDIES AND WAIVERS	46
31 AMENDMENTS AND WAIVERS	47
32 COUNTERPARTS	47
SECTION 11 GOVERNING LAW AND ENFORCEMENT	48
33 GOVERNING LAW	48
34 ARBITRATION AND JURISDICTION	48
35 IMMUNITIES	49
SCHEDULE 1 Conditions precedent	50
SCHEDULE 2 Utilisation Request	52
SCHEDULE 3 Form of Compliance Certificate	53

THIS AGREEMENT is dated 8 December 2004 and made between:

- (1) **MOBILE TELESYSTEMS OPEN JOINT STOCK COMPANY**, an open joint stock company established and existing under the laws of the Russian Federation and having its registered address at 4 Marksistskaya Street, 109147 Moscow, Russian Federation, as borrower (the "**Borrower**"); and
- (2) **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** as lender (the "**Lender**" or "**EBRD**").

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Availability Period**" means the period from and including the Signing Date to and including 30 November 2005.

"**Available Commitment**" means the Commitment minus:

- (a) the amount of any outstanding Loans; and
- (b) in relation to any proposed Utilisation, the amount of any Loans that are due to be made on or before the proposed Utilisation Date.

"**Borrowings**" has the meaning given to it in Clause 19 (*Financial Covenants*).

"**Break Costs**" means the amount (if any) by which:

- (a) the interest (excluding the Margin) which the Lender should have received for the period from the date of receipt of all or any part of a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which the Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the London interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Moscow and New York City.

“**Commitment**” means a commitment of \$150,000,000, to the extent such commitment is not cancelled or reduced in accordance with the terms of this Agreement.

“**Compliance Certificate**” means a certificate substantially in the form set out in Schedule 3 (*Form of Compliance Certificate*).

“**Confidentiality Undertaking**” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between the Borrower and the Lender.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 21 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Due Diligence Materials**” means written information provided in connection with the due diligence meeting between the Lender and the Borrower on 10 November 2004 relating to Telecommunications Authorisations held by the Borrower, capital expenditures by the Borrower in selected licence areas, the Borrower’s procurement procedures and certain insurances maintained by the Borrower.

“**EBITDA**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Environment**” means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including land under water).

“**Environmental Law**” means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or
- (c) relate to any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment or a nuisance to any person or that may make the use or ownership of any affected land or property more costly or health and safety matters.

“**Environmental Licence**” means any Authorisation required at any time under Environmental Law.

“**EUR**” means the lawful currency of the European Union for the time being.

“**Event of Default**” means any event or circumstance specified as such in Clause 21 (*Events of Default*).

“**Facility Office**” means the office of the Lender located at One Exchange Square, London EC2A 2JN, United Kingdom, or the office or offices notified by the Lender to the Borrower (by not less than 5 Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Facility**” means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**Final Maturity Date**” means 15 December 2011.

“**Finance Document**” means this Agreement and any other document designated as such by the Lender and the Borrower.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) shares which are expressed to be redeemable at the option of the holder on or prior to the Final Maturity Date (but excluding any accrued dividends);
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

“**GAAP**” means generally accepted accounting principles, standards and practices in the United States of America.

“**Group**” means the Borrower and its Subsidiaries for the time being.

“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**Information Memorandum**” means the information memorandum prepared in relation to the facility agreement dated 26 July 2004 between the Borrower, ING Bank N.V., London Branch as Agent and the lenders named therein, and as provided to the Lender by the Borrower prior to the Signing Date for the purpose of this Agreement.

“**Interest Expense**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Investment Period**” means the period commencing on 22 October 2004 and ending on the date falling 12 Months after the first Utilisation Date.

“**Investments**” means investments, local works, capital expenditures not covered by export credit agency financing, working capital and acquisitions by members of the Group in the Russian Federation with an emphasis on regions other than Moscow and St. Petersburg (including any fees relating thereto, and any refinancing or recapitalisation in connection therewith, in whole or in part).

“**Kuban GSM**” means CJSC Kuban GSM, a joint-stock company organized under the laws of the Russian Federation that is a Subsidiary of the Borrower.

“**LIBOR**” means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for Dollars or the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Lender at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of 11:00 a.m. on the Quotation Day for the offering of deposits in Dollars for a period comparable to the Interest Period for that Loan.

“**LMA**” means the Loan Market Association.

“**Loan**” means a loan made or to be made under the Facility or the principal amount for the time being of that loan.

“**London Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

“**Mandate Letter**” means the letter agreement dated 19 October 2004 between the Lender and the Borrower.

“**Margin**” means 3.10 per cent per annum.

“**Material Adverse Effect**” means a material adverse effect on or material adverse change in:

- (a) the financial condition, operations, assets, prospects or business of the Borrower or the consolidated financial condition, operations, assets, prospects or business of the Group;
- (b) the ability of the Borrower to perform and comply with its obligations under any Finance Document; or
- (c) the validity, legality or enforceability of any Finance Document, or the rights or remedies of the Lender thereunder.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

“Original Financial Statements” means the audited consolidated financial statements of the Group for the financial year ended 31 December 2003.

“Participating Member State” means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

“Party” means a party to this Agreement.

“Permitted Security” means:

- (a) any Security on any assets of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower and not created in contemplation of such event, provided that no such Security shall extend to any other assets;
- (b) any Security existing on any assets prior to the acquisition thereof by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition, provided that no such Security shall extend to any other assets;
- (c) any Security on any assets securing Financial Indebtedness of the Borrower or Financial Indebtedness of any Subsidiary of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such assets, provided that (i) no such Security shall extend to any other assets; (ii) the aggregate principal amount of all Financial Indebtedness secured by such Security on such assets shall not exceed the lower of (x) the purchase price of such assets and (y) the fair market value of such assets at the time of acquisition, repair or refurbishing; and (iii) such Security attaches to such assets concurrently with the repair or refurbishing thereof or within 90 days after the acquisition thereof, as the case may be;
- (d) any Security arising by operation of law, including any Security (i) arising in the ordinary course of business with respect to amounts not yet delinquent or being contested by the Borrower or a Subsidiary of the Borrower in good faith in appropriate proceedings or (ii) for taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (e) any Security on the assets of any Subsidiary of the Borrower securing intercompany Financial Indebtedness of such Subsidiary owing to the Borrower or another Subsidiary of the Borrower;
- (f) any netting or set-off arrangement entered into by a member of the Group with a bank or any other financial institution in the normal course of its banking arrangements for the purpose of netting or setting off its debit and credit facilities with that bank or financial institution;
- (g) easements, rights-of-way, restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Borrower or the business of any Subsidiary of the Borrower, including any encumbrance or restriction with respect to an equity interest of any joint venture pursuant to a joint venture agreement;
- (h) any extension, renewal or replacement of any Security described in clauses (a) to (g) above, provided that (i) such extension, renewal or replacement shall be no more restrictive in any material respect than the original Security; (ii) the amount of Financial Indebtedness secured by such Security is not increased; and (iii) if the assets securing the

Financial Indebtedness subject to such Security are changed in connection with such refinancing, extension or replacement, the fair market value of the property or assets is not increased; and

- (i) any other Security (excluding any Security described in (a)-(h) above) provided that, immediately after giving effect to such Security, the aggregate amount of all secured Financial Indebtedness of the Group does not exceed 10% of the Borrower's Total Assets.

"Qualifying Lender" has the meaning given to it in Clause 12 (*Tax gross-up and indemnities*).

"Quotation Day" means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the London interbank market, in which case the Quotation Day will be determined by the Lender in accordance with market practice in the London interbank market (and if quotations for that currency and period would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days).

"RAS" means generally accepted accounting principles, standards and practices in the Russian Federation.

"Reference Banks" means in relation to LIBOR the principal London offices of ABN AMRO Bank N.V., ING Bank N.V., HSBC Bank Plc, Raiffeisen Zentralbank Österreich AG and Citibank, N.A.

"Relevant Contract" means a contract:

- (a) relating to an Investment;
- (b) with a value in excess of EUR1,000,000 (or the equivalent thereof in another currency at the rate of exchange on the date of that contract); and
- (c) which is awarded either by the Borrower or by another member of the Group established under the laws of the Russian Federation.

"Relevant Period" has the meaning given to it in Clause 19 (*Financial Covenants*).

"Repayment Date" means 15 December 2005, 15 June 2006, 15 December 2006, 15 June 2007, 15 December 2007, 15 June 2008, 15 December 2008, 15 June 2009, 15 December 2009, 15 June 2010, 15 December 2010, 15 June 2011 and the Final Maturity Date.

"Repeating Representations" means each of the representations set out in Clauses 17.1 (*Status*), 17.2 (*Binding obligations*), 17.3 (*Non-conflict with other obligations*), 17.4 (*Power and authority*), 17.6 (*Governing law and enforcement*), 17.11 (*No default*), 17.14 (*Pari Passu Ranking*), 17.15 (*No proceedings pending or threatened*), 17.16 (*Environmental laws and licences*) and 17.17 (*Telecommunications law and licences*).

"Roubles" or **"RUR"** means the lawful currency of the Russian Federation for the time being.

"Russian Insolvency Law" means the Federal Law of the Russian Federation No. 127-FZ of 26 October 2002 "On Insolvency (Bankruptcy)".

"Screen Rate" means the British Bankers Association Interest Settlement Rate for Dollars for the relevant period displayed on the appropriate page of the Telerate screen. If the agreed page is replaced or service ceases to be available, the Lender may specify another page or service displaying the appropriate rate after consultation with the Borrower.

"Security" means a mortgage, charge, lien, pledge or other security interest securing any obligations of any person or any other agreement or arrangement having a similar effect.

“Significant Subsidiary” means:

- (a) UMC (unless, pursuant to the UMC Litigation, any or all of the Borrower’s shares in UMC are transferred to a person that is not a member of the Group, with the result that UMC ceases to be a member of the Group);
- (b) Telecom XXI;
- (c) Kuban GSM;
- (d) any Subsidiary of the Borrower to which (i) the Borrower, UMC, Telecom XXI or Kuban GSM sells, leases or otherwise transfers its GSM 900 or 1800 licences or (ii) any such licence is re-issued; and
- (e) any Subsidiary of the Borrower (i) whose total assets (or, where such Subsidiary prepares consolidated accounts, whose total consolidated assets) have a book value (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) equal to or exceeding 10% of the Borrower’s Total Assets or (ii) whose gross annual revenues (or, where such Subsidiary prepares consolidated accounts, whose gross annual consolidated revenues) (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) are equal to or exceed 10% of the Borrower’s gross annual consolidated revenues in the year for which the Borrower’s most recent consolidated financial statements were prepared.

“Signing Date” means the date of this Agreement.

“Subsidiary” means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership.

“Tax” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Telecom XXI” means Telecom XXI, an open joint stock company that is a wholly-owned Subsidiary of the Borrower.

“Telecommunications Authorisation” means any Authorisation from any governmental or other regulatory authority necessary in order for each of the Borrower and its Significant Subsidiaries to maintain, operate and conduct its business as it is being conducted in accordance with Telecommunications Laws.

“Telecommunications Laws” means (a) all laws and regulations which relate to telecommunications and/or the business of providing mobile telephone services and (b) all rules, guidelines, policies and regulations made thereunder, that are applicable to each of the Borrower and its Significant Subsidiaries and/or the business carried on by it.

“Total Assets” means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower’s most recent annual consolidated balance sheet delivered in accordance with paragraph (a) of Clause 18.1 (*Financial statements*) or, prior to the first delivery, to the Original Financial Statements.

“UMC” means Ukrainian-German-Dutch-Danish Joint Venture “Ukrainian Mobile Communications” in Ukraine.

“**UMC Litigation**” means any of the claims, proceedings (present or future) and causes of action involving the Borrower and/or any of its Affiliates (including UMC) relating to or arising out of the sale of UMC to the Borrower or the acquisition, reorganisation or ownership of UMC by the Borrower.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**US Dollars**”, “**Dollars**”, “**USD**” and “**\$**” denote the lawful currency of the United States of America.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Utilisation Request*).

“**VAT**” means value added tax and any other tax of a similar nature.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “**Lenders**”, the “**Borrower**” and any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise;
 - (iv) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
 - (v) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a “**person**” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vii) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (ix) a time of day is a reference to London time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.

1.3 Third Party Rights

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

**SECTION 2
THE FACILITY**

2 THE FACILITY

Subject to the terms of this Agreement, the Lender makes available to the Borrower a term loan facility in Dollars in an aggregate amount equal to the Commitment.

3 PURPOSE

- (a) The Borrower shall apply all amounts borrowed by it under the Facility towards the Investments, and shall use its best efforts to complete such process by the end of the Investment Period.
- (b) The Borrower shall use its best efforts to make Investments in regions in which it did not have operations prior to the start of the Investment Period. However, nothing in this Agreement shall oblige the Borrower to make any Investment which would not be, in the opinion of the Borrower, in its best interests.

4 CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrower may not deliver the first Utilisation Request unless the Lender has received all of the documents and other evidence listed in Schedule 1 (*Conditions precedent*) in form and substance satisfactory to the Lender. The Lender shall notify the Borrower promptly upon being so satisfied.

4.2 Further conditions precedent

The Lender will only be obliged to comply with Clause 5.4 (*Availability of Loans*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (i) no Default is continuing or would result from the proposed Loan; and
- (ii) the Repeating Representations to be made by the Borrower are true in all material respects.

4.3 Suspension and cancellation

From time to time, EBRD may, by notice to the Borrower, suspend or cancel the right of the Borrower to make any Utilisation if the Board of Governors of EBRD has decided in accordance with Article 8, paragraph 3, of the Agreement Establishing the European Bank of Reconstruction and Development that access by the Russian Federation to EBRD resources should be suspended or otherwise modified.

**SECTION 3
UTILISATION**

5 UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than 5:00 p.m. on the day falling 6 London Business Days before the proposed Utilisation Date.

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
 - (i) the proposed Utilisation Date is a Business Day within the Availability Period;
 - (ii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
 - (iii) it specifies the account and bank to which the proceeds of the Utilisation are to be credited.
- (b) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be Dollars.
- (b) The amount of the proposed Loan must be:
 - (i) a minimum of \$30,000,000 or, if less, the Available Commitment; or
 - (ii) in any event such that it is less than or equal to the Available Commitment.

5.4 Availability of Loans

If the conditions set out in this Agreement have been met, the Lender shall make each Loan available by the Utilisation Date through its Facility Office.

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6 REPAYMENT

6.1 Repayment of Loans

- (a) The Borrower shall repay the Loans in 13 equal instalments, by paying on each Repayment Date an amount equal to one thirteenth of the amount of the Loans outstanding at the close of business on the last day of the Availability Period.
- (b) The Borrower may not reborrow any part of the Facility which is repaid.

7 PREPAYMENT AND CANCELLATION

7.1 Illegality

If it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain any Loan:

- (a) the Lender shall promptly notify the Borrower upon becoming aware of that event;
- (b) upon the Lender notifying the Borrower, the Commitment will be immediately cancelled; and
- (c) the Borrower shall repay the Loans on the last day of the Interest Period for each Loan occurring after the Lender has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

The Borrower may, if it gives the Lender not less than 10 Business Days' (or such shorter period as the Lender may agree) prior written notice, cancel the whole or any part (being a minimum amount of \$10,000,000) of the Available Commitment.

7.3 Voluntary prepayment of Loans

- (a) The Borrower may, if it gives the Lender not less than 10 Business Days' (or such shorter period as the Lender may agree) prior written notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the Loan by a minimum amount of \$10,000,000).
- (b) A Loan may only be prepaid after the last day of the Availability Period (or, if earlier, the day on which the Available Commitment is zero).
- (c) Each prepayment shall be applied in satisfaction of the Borrower's obligations under Clause 6 (*Repayment*) in the inverse order of maturity of the Loans (or, at the option of the Borrower, *pro rata* to the remaining principal instalments thereof).

7.4 Mandatory Prepayment — Change of Control

- (a) In this Clause 7.4, "**Change of Control**" means any of the following events or circumstances: any person or group of persons acting in concert or under an express or implied agreement or understanding, directly or through one or more intermediaries, shall (x) acquire ultimate beneficial or legal ownership of, or control over, more than 50% of the issued shares of the Borrower; (y)

acquire ownership of or control over more than 50% of the voting interests in the share capital of the Borrower; or (z) obtain the power (whether or not exercised) to elect not less than half of the directors of the Borrower; (provided, however, that any acquisition by Sistema JSFC, T-Mobile International AG or any of their respective Subsidiaries that results in the 50% threshold in paragraphs (x) and (y) above being exceeded, or in the power referred to in paragraph (z) above being obtained, will not be a Change of Control).

(b) If there is a Change of Control:

- (i) the Borrower shall promptly notify the Lender upon becoming aware of that event;
- (ii) the Borrower may not make a Utilisation; and
- (iii) if the Lender (in its sole discretion) so requires, it may, within 5 Business Days of its receipt of the Borrower's notification under sub-clause (i) above, direct the Borrower to repay the Loans (together with accrued interest) in full on the day (the "**Early Repayment Date**") falling 30 days after the date of the Borrower's notification under sub-clause (i) above. Before the Early Repayment Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of the Lender's rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower in accordance with Clause 22 (*Changes to the Lender*). If no such transfer has been effected on or before the Early Repayment Date, then (x) the Borrower shall repay the Loans (together with accrued interest) in full on the Early Repayment Date and (y) the Commitment shall be reduced to zero on that date.

7.5 Right of repayment and cancellation in relation to a single Lender

If:

- (a) any sum payable to the Lender by the Borrower is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*); or
- (b) the Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*),

the Borrower may, whilst the circumstance giving rise to the requirement or indemnification continues, give the Lender notice of cancellation of the Commitment and its intention to procure the repayment of the Loans on the last day of the Interest Period ending after the date of such notice (or, if earlier, on such other date as specified by the Borrower in that notice) (the "**Cancellation Date**"). Before the Cancellation Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of the Lender's rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower in accordance with Clause 22 (*Changes to the Lender*). If no such transfer has been effected on or before the Cancellation Date, then (x) the Borrower shall repay the Loans (together with accrued interest) in full on the Cancellation Date and (y) the Commitment shall be reduced to zero on that date.

7.6 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.

- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) The Borrower may not reborrow any part of the Facility which is prepaid.
- (d) The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitment except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Commitment cancelled under this Agreement may be subsequently reinstated.

**SECTION 5
COSTS OF UTILISATION**

8 INTEREST

8.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of:

- (a) the Margin; and
- (b) LIBOR.

8.2 Payment of interest

The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than 6 Months, on the date falling at six monthly intervals after the first day of the Interest Period).

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is the sum of 2 per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Lender (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower on demand by the Lender.
- (b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be the sum of 2 per cent. and the rate which would have applied if the overdue amount had not become due.
- (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 Notification of rates of interest

The Lender shall promptly notify the Borrower of the determination of a rate of interest under this Agreement.

9 INTEREST PERIODS

9.1 Duration of Interest Periods

- (a) Save as otherwise provided herein, each Interest Period shall have a duration of 6 Months (or such other period as may be agreed between the Borrower and the Lender) and shall commence on the day on which the preceding Interest Period expires.
- (b) The first Interest Period for the first Loan shall begin on the Utilisation Date for that Loan and shall have a duration of 6 Months, and the first Interest Period for each Loan made thereafter shall begin on the Utilisation Date for that Loan and end on the last day of the Interest Period applicable to that first Loan. At the end of the first Interest Period for each Loan, such Loan shall be consolidated with all other Loans (if any) then outstanding such that all Loans under shall then be treated as a single Loan.
- (c) No Interest Period shall extend beyond a Repayment Date, and if an Interest Period would otherwise overrun a Repayment Date, such Interest Period shall be shortened so that it ends on that Repayment Date.
- (d) An Interest Period for a Loan shall not extend beyond the Final Maturity Date.

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 CHANGES TO THE CALCULATION OF INTEREST

10.1 Absence of quotations

Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by 11:00 a.m. on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on that Loan for the Interest Period shall be the rate per annum which is the sum of:
 - (i) the Margin; and
 - (ii) the rate notified to the Borrower by the Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to the Lender of funding that Loan from whatever source it may reasonably select.
- (b) In this Agreement “**Market Disruption Event**” means:
 - (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Lender to determine LIBOR for Dollars for the relevant Interest Period; or

- (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Borrower receives notification from the Lender that the cost to it of obtaining matching deposits in the London interbank market would be in excess of LIBOR.

10.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Lender or the Borrower so requires, the Lender and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of the Lender and the Borrower, be binding on all Parties.

10.4 Break Costs

- (a) The Borrower shall, within three Business Days of demand by the Lender, pay to the Lender its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) The Lender shall, as soon as reasonably practicable after a demand by the Borrower, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 FEES

11.1 Commitment fee

- (a) The Borrower shall pay to the Lender a commitment fee in respect of the Facility, calculated on a daily basis at the rate of 0.50 per cent. per annum of the Available Commitment.
- (b) The commitment fee will accrue from the Signing Date and is payable in arrears on the last day of each Interest Period, on the last day of the Availability Period and, if the Commitment is cancelled in full, on the cancelled amount of the Available Commitment at the time the cancellation is effective.

11.2 Front-end commission

The Borrower shall pay to the Lender a front-end commission, in the amount of 1 per cent. of the Commitment (\$1,500,000). Such front-end commission shall be due and payable on the earlier of (i) the first Utilisation Date and (ii) the date falling 15 days after the Signing Date.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

12 TAX GROSS-UP AND INDEMNITIES

12.1 Definitions

(a) In this Agreement:

“**Qualifying Lender**” means a Lender which is situated for tax purposes in the Russian Federation or in a Tax Treaty Jurisdiction, or is otherwise entitled to receive interest free and clear of Russian withholding tax from a source within the Russian Federation.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by the Borrower to the Lender under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

“**Tax Treaty Jurisdiction**” means a jurisdiction which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian Federation has succeeded) which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction.

(b) Unless a contrary indication appears, in this Clause 12 a reference to “**determines**” or “**determined**” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

- (a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly. Similarly, the Lender shall notify the Borrower on becoming so aware in respect of a payment payable to the Lender.
- (c) Subject to paragraph (d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) The Borrower is not required to make an increased payment to the Lender under paragraph (c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to the Lender without a Tax Deduction if the Lender was a Qualifying Lender, but on that date the Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became the Lender under this Agreement in (or in the interpretation, administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).

- (e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Lender an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) If the Lender is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document, the Borrower shall (within three Business Days of demand by the Lender) pay to the Lender an amount equal to the loss, liability or cost which the Lender determines has been suffered for or on account of Tax by the Lender in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on the Lender:
 - (A) under the law of the jurisdiction in which that the Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which that the Lender is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that the Lender's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Lender; or
 - (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or
 - (B) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 12.2 (*Tax gross-up*) applied.
- (c) If the Lender makes, or intends to make, a claim under paragraph (a) above, it shall promptly notify the Borrower of the event which will give, or has given, rise to the claim.

12.4 Tax Credit

If the Borrower makes a Tax Payment and the Lender determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) that the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall pay promptly an amount to the Borrower which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Borrower.

12.5 Stamp taxes

The Borrower shall pay and, within three Business Days of demand, indemnify the Lender against any cost, loss or liability the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 Value added tax

- (a) All consideration expressed to be payable under a Finance Document by any Party to the Lender shall be deemed to be exclusive of any VAT. If VAT is chargeable on such consideration, that Party shall pay to the Lender (or directly to the appropriate tax authority, if so required by law) (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT.
- (b) Where a Finance Document requires any Party to reimburse the Lender for any costs or expenses, that Party shall also at the same time pay and indemnify the Lender against all VAT incurred by the Lender in respect of the costs or expenses to the extent that the Lender reasonably determines that neither it nor any other member of the group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

13 INCREASED COSTS

13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within three Business Days of a demand by the Lender, pay the amount of any Increased Costs incurred by the Lender or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the Signing Date.
- (b) In this Agreement “**Increased Costs**” means:
 - (i) a reduction in the rate of return from the Facility or on the Lender’s (or its Affiliate’s) overall capital;
 - (ii) an additional or increased cost; or
 - (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by the Lender or any of its Affiliates to the extent that it is attributable to the Lender having entered into the Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

- (a) If the Lender intends to make a claim pursuant to Clause 13.1 (*Increased costs*), it shall notify the Borrower of the event giving rise to the claim.
- (b) The Lender shall, as soon as practicable after a demand by the Borrower, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

- (a) Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by the Borrower;

- (ii) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied); or
 - (iii) attributable to the wilful breach by the Lender or its Affiliates of any law or regulation.
- (b) In this Clause 13.3, a reference to a “**Tax Deduction**” has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 OTHER INDEMNITIES

14.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:

- (i) making or filing a claim or proof against the Borrower;
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall as an independent obligation, within three Business Days of demand, indemnify the Lender against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

The Borrower shall, within three Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by the Borrower to pay any amount due under a Finance Document on its due date;
- (c) funding, or making arrangements to fund, a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

14.3 Indemnity to the Lender

The Borrower shall promptly indemnify the Lender against any cost, loss or liability incurred by the Lender (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or

- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

15 MITIGATION BY THE LENDER

15.1 Mitigation

- (a) The Lender shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

15.2 Limitation of liability

- (a) The Borrower shall indemnify the Lender for all costs and expenses reasonably incurred by the Lender as a result of steps taken by it under Clause 15.1 (*Mitigation*).
- (b) The Lender is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of the Lender (acting reasonably), to do so might be prejudicial to it.

16 COSTS AND EXPENSES

16.1 Transaction expenses

The Borrower shall promptly on demand pay the Lender the amount of all reasonable out-of-pocket costs and legal expenses incurred by any of them in connection with the negotiation, preparation and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement,

subject to the terms of the Mandate Letter.

16.2 Amendment costs

If (a) the Borrower requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 25.6 (*Change of currency*), the Borrower shall, within three Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including legal fees) reasonably incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement costs

The Borrower shall, within three Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

17 REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 17 to the Lender on the date of this Agreement.

17.1 Status

- (a) It is an open joint stock company, duly established, registered and validly existing under the laws of the Russian Federation.
- (b) It and each of its Significant Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

17.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations, subject to insolvency and other laws affecting creditors' rights generally and principles of equity.

17.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets.

17.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents and the transactions contemplated by those Finance Documents.

17.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents;
- (b) for it and its Significant Subsidiaries to carry on its and their business; and
- (c) to make the Finance Documents admissible in evidence in the general jurisdiction courts or commercial courts (*arbitrazhniye sudi*) of the Russian Federation in an original action or action to enforce a foreign arbitral award, provided that authenticated and notarised Russian texts are made available to such courts at that time and any other procedures and formalities regarding presentation of documents to a Russian court are complied with,

have been obtained or effected and are in full force and effect (except, in relation to paragraph (b) above, where the failure to obtain such Authorisations (excluding any Telecommunications Authorisations) is not reasonably likely to have a Material Adverse Effect).

17.6 Governing law and enforcement

- (a) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in the Russian Federation.
- (b) Any arbitration award obtained in England in relation to a Finance Document will be recognised and enforced in the Russian Federation in accordance with the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards.

17.7 No bankruptcy proceedings

Neither the Borrower nor any of its Significant Subsidiaries has taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief (after due inquiry), threatened against it or any of its Significant Subsidiaries for (a) its liquidation or bankruptcy or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of it or any of its Significant Subsidiaries; (b) the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshniy upravlayuschiy*) or the appointment of a bankruptcy manager (*konkursniy upravlayuschiy*) or similar officer of it or any of its Significant Subsidiaries; (c) the convening of a meeting of creditors for the purposes of considering an amicable settlement (as defined in the Russian Insolvency Law); or (d) any analogous act in respect of it or any of its Significant Subsidiaries in any jurisdiction.

17.8 Deduction of Tax

It is not required under the law of the Russian Federation to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Qualifying Lender.

17.9 No filing or stamp taxes

Under the law of the Russian Federation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in the Russian Federation or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except for court registration fees in connection with any enforcement proceedings in such court.

17.10 Payment of Taxes

Neither it nor any of its Significant Subsidiaries has overdue tax liabilities, other than tax liabilities (a) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves or other appropriate provision has been made or (b) whose amount, together with all such other unpaid or undischarged taxes, does not in aggregate exceed \$25,000,000 (or its equivalent in any other currency or currencies).

17.11 No default

- (a) No Default or Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.

- (b) No event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which is reasonably likely to have a Material Adverse Effect.

17.12 No misleading information

- (a) The factual information contained in the Information Memorandum was true and accurate in all material respects as at 26 July 2004.
- (b) The financial projections contained in the Information Memorandum were prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Any written factual information (other than that contained in the Information Memorandum) provided by or on behalf of any member of the Group to the Lender for the purposes of the Due Diligence Materials was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (d) Nothing has occurred or been omitted from the Due Diligence Materials and no information has been given or withheld that results in the information contained in the Due Diligence Materials being untrue or misleading in any material respect.

17.13 Financial statements

- (a) Its Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) Its Original Financial Statements fairly represent its, and its consolidated, financial condition and operations as at the end of and for the relevant financial year.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group) since the date of its Original Financial Statements.

17.14 *Pari passu* ranking

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.15 No proceedings pending or threatened

Other than the UMC Litigation, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including but not limited to, investigative proceedings) have, to the best of its knowledge and belief (after due inquiry), been started or threatened against it or any of its Significant Subsidiaries which, if adversely determined would be reasonably likely to have a Material Adverse Effect.

17.16 Environmental laws and licences

Except as disclosed in writing to the Lender before the date hereof, it and each of its Subsidiaries has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required in connection with its business where failure to do so would be reasonably likely to have a Material Adverse Effect; and

- (c) complied with the terms of those Environmental Licences where failure to do so would be reasonably likely to have a Material Adverse Effect.

17.17 Telecommunications laws and licences

- (a) Each of the Borrower and its Significant Subsidiaries has:
 - (i) complied in all material respects with all Telecommunications Laws to which it may be subject;
 - (ii) obtained all material Telecommunications Authorisations necessary to conduct its business; and
 - (iii) complied in all material respects with the terms of those Telecommunication Authorisations,in each case other than where failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (b) There has been no act, omission or event which might reasonably be expected to give rise to the material amendment, revocation, suspension, cancellation, withdrawal or termination of any provision of any Telecommunications Authorisation. To the best of its knowledge and belief (after due inquiry), no Telecommunications Authorisation is the subject of any pending or threatened proceedings which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

17.18 Compliance with laws

- (a) Neither the Borrower, nor any of its Significant Subsidiaries, is in material violation of any law presently in effect that is applicable or relevant to it.
- (b) The Borrower and each of its Significant Subsidiaries is in compliance with all applicable laws concerning money laundering (other than where non-compliance is caused by administrative or technical error and is remedied within a reasonable time from the Borrower or the relevant Significant Subsidiary becoming aware of such non-compliance).
- (c) Neither the Borrower nor any of its Significant Subsidiaries, nor (to the best of the Borrower's knowledge after due and careful enquiry in accordance with the Borrower's internal procedures from time to time) any of the officers, directors or authorised employees, agents or representatives of the Borrower or any of its Significant Subsidiaries has:
 - (i) paid, promised to pay or offered to pay, or authorized the payment of, any commission, bribe, pay-off or kickback related to any Investment (each a "**Bribe**"), which Bribe violates any applicable law; or
 - (ii) entered into any agreement pursuant to which any Bribe may or will at any time be paid and which violates any applicable law; or
 - (iii) offered or given any thing of value to influence the action of a public official, or threatened injury to person, property or reputation, in connection with any Investment, in order to obtain or retain business or other improper advantage in the conduct of business.

17.19 No Immunity

- (a) The execution by the Borrower of the Finance Documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial activities

done and performed for private and commercial purposes (rather than public and governmental purposes).

- (b) In any proceedings taken in the Russian Federation in relation to the Finance Documents, the Borrower will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

17.20 Repetition

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request and the first day of each Interest Period (provided that whenever the representation in paragraph (c) of Clause 17.3 is deemed to be made on a date other than the Signing Date or a Utilisation Date, the statement “except where the same would not be reasonably likely to have a Material Adverse Effect” shall qualify the representation in said paragraph (c)).

18 INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

18.1 Financial statements

The Borrower shall supply to the Lender:

- (a) as soon as the same become available, but in any event within 180 days after the end of each of its financial years, its audited consolidated and non-consolidated financial statements for that financial year; and
- (b) as soon as the same become available, but in any event within 45 days after the end of each of its financial quarters, its unaudited consolidated and non-consolidated financial statements for that financial quarter.

18.2 Compliance Certificate

- (a) The Borrower shall supply to the Lender with each set of financial statements delivered pursuant to Clause 18.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 19 (*Financial Covenants*) as at the date as at which those financial statements were drawn up.
- (b) Each Compliance Certificate shall be signed by an authorised officer of the Borrower and, if required to be delivered with the financial statements delivered pursuant to paragraph (a) of Clause 18.1 (*Financial statements*), shall be reported on by the Borrower’s auditors in the form set out in Schedule 3 (*Form of Compliance Certificate*).

18.3 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial statements*) shall be certified by an authorised officer of the Borrower as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
- (b) The Borrower shall procure that each set of consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial

Statements unless, in relation to any set of financial statements, it notifies the Lender that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Lender:

- (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Lender, to enable the Lender to determine whether Clause 19 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that the Original Financial Statements.
- (c) Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.
- (d) The Borrower shall procure that each set of non-consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using RAS accounting practices and financial reference periods.

18.4 Implementation report

- (a) The Borrower shall, within 60 days after the end of the Investment Period, provide to the Lender a report, in the form agreed between the Borrower and the Lender before the date hereof, and in substance satisfactory to the Lender, concerning the Investments made during the Investment Period.
- (b) Until such time as the aggregate amount of Investments made is equal to the principal amount of all outstanding Loans, in relation to each Relevant Contract the Borrower shall provide to the Lender information as to the identity and nationality of the contractor and the amount and date of such Relevant Contract.

18.5 Environmental health and safety report

As soon as available but, in any event, within 60 days after the end of each financial year, the Borrower shall furnish to the Lender a report, in form and in substance satisfactory to the Lender (acting reasonably), on environmental, health and safety issues arising in relation to the Borrower or the Investments during such financial year, including:

- (a) information on compliance by the Borrower with applicable Environmental Law and with applicable environmental standards, including the status of any Environmental Licences required for the Borrower's operations, the results of any inspections carried out by environmental authorities, any material violations of applicable Environmental Law by the Borrower and remedial action relating thereto and any fines imposed for any such violations;
- (b) a summary of any material notices, reports and other communications on environmental matters submitted by the Borrower to any environmental authorities;
- (c) information on the health and safety record of the Borrower, including the rate of accidents which are likely to have a material adverse effect on health and safety (as referred to in Clause 18.6 (*Notification of accident*)) and any initiatives in relation to health and safety matters which have been implemented or planned by the Borrower;

- (d) a summary of any changes in applicable Environmental Law which may have a material adverse effect on the Borrower's operations; and
- (e) copies of environmental information periodically submitted by the Borrower to its shareholders or the general public.

18.6 Notification of accident

Promptly following the occurrence of any incident or accident relating to the Borrower which is likely to have a material adverse effect on the environment, health or safety, the Borrower shall give the Lender notice thereof by facsimile transmission or telex specifying the nature of such incident or accident and any steps the Borrower is taking to remedy the same. Without limiting the generality of the foregoing, an incident or accident is deemed to be likely to have a material adverse effect on the environment, health or safety if any applicable law requires notification of such incident or accident to any governmental authority, such incident or accident involves fatality or multiple serious injuries requiring hospitalisation or such incident or accident has become public knowledge (whether through media coverage or otherwise) and the Borrower is aware that it has become public knowledge.

18.7 Information: miscellaneous

The Borrower shall supply to the Lender:

- (a) all documents dispatched by the Borrower to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which would, if adversely determined, be reasonably likely to have a Material Adverse Effect;
- (c) promptly, such information as may be reasonably requested by the Lender (including relevant figures from management accounts) to ascertain whether any Subsidiary of the Borrower falls within paragraph (e) of the definition of "Significant Subsidiary"; and
- (d) promptly, such further information regarding the financial condition, business and operations of any member of the Group as the Lender may reasonably request.

18.8 Notification of Default

- (a) The Borrower shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Lender, the Borrower shall supply to the Lender a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

18.9 Know your customer checks

If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
- (b) any change in the status of the Borrower after the date of this Agreement; or

(c) a proposed assignment or transfer by the Lender of any of its rights and obligations under this Agreement,

obliges the Lender (or, in the case of paragraph (c) above, any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Lender (for itself or, in the case of the event described in paragraph (c) above, on behalf of any prospective new Lender) in order for the Lender or, in the case of the event described in paragraph (c) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

19 FINANCIAL COVENANTS

The financial undertakings in this Clause 19 shall remain in force from the Signing Date for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

19.1 Financial condition

The Borrower shall ensure that:

- (a) The ratio of Borrowings as at the end of any Relevant Period to EBITDA in respect of such Relevant Period will not exceed 3:1; and
- (b) the ratio of EBITDA to Interest Expense in respect of any Relevant Period will not be less than 5:1.

19.2 Financial covenant calculations

Borrowings, EBITDA and Interest Expense shall be calculated and interpreted on a consolidated basis in accordance with the GAAP applicable to the Original Financial Statements of the Borrower and shall be expressed in Dollars.

19.3 Definitions

In this Clause 19.3:

“**Borrowings**” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of members of the Group (other than any indebtedness referred to in paragraph (g) of the definition of Financial Indebtedness and any guarantee or indemnity in respect of that indebtedness).

For this purpose, any amount outstanding or repayable in a currency other than Dollars shall on that day be taken into account in its Dollars equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with the GAAP applicable to the Original Financial Statements of the Borrower.

“**EBITDA**” means, in relation to any Relevant Period, the total consolidated operating profit of the Group for that Relevant Period:

- (a) before taking into account:
 - (i) Interest Expense;

- (ii) Tax;
- (iii) any share of the profit of any associated company or undertaking, except for dividends received in cash by any member of the Group; and
- (iv) extraordinary and exceptional items; and

(b) after adding back all amounts provided for depreciation and amortisation for that Relevant Period,

multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“Interest Expense” means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Group in that Relevant Period in respect of Borrowings including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions, arrangement fees and guarantee fees; and
- (c) amounts in the nature of interest payable in respect of any shares other than equity share capital,

adjusted (but without double counting) by:

- (i) adding back the net amount payable (or deducting the net amount receivable) by members of the Group in respect of that Relevant Period under any interest or (so far as they relate to interest) currency hedging arrangements; and
- (ii) deducting interest income of the Group in respect of that Relevant Period to the extent freely payable in cash,

multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“Relevant Period” means each period of 6 consecutive Months ending on the last day of each financial year and financial quarter of the Borrower.

20 GENERAL UNDERTAKINGS

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

20.1 Authorisations

The Borrower shall promptly:

- (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (ii) supply certified copies to the Lender of,

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity,

enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

20.2 Compliance with laws

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

20.3 Maintenance of existence

The Borrower shall maintain its corporate existence.

20.4 Negative pledge

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.
- (b) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will):
 - (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
 - (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
 - (iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

- (c) Paragraphs (a) and (b) above do not apply to Permitted Security.

20.5 Disposals

- (a) The Borrower shall not (and shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset.
- (b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal:
 - (i) made in the ordinary course of trading of the disposing entity;
 - (ii) of assets in exchange for other assets comparable or superior as to type, value and quality;
 - (iii) made from one member of the Group (other than the Borrower) to another member of the Group;
 - (iv) of cash or cash equivalents for cash or cash equivalents;
 - (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with GAAP) does not exceed (x) 10% of the Borrower's Total Assets in any financial year of the Borrower and (y) 25% of the Borrower's Total Assets during the period starting on the Signing Date and ending on the date that all amounts outstanding under this Agreement have been paid in full. At the request of the Lender (any such request to be made no more than once per calendar quarter, unless a Default is continuing), the

Borrower shall provide a certificate to the Lender setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with GAAP); or

- (vi) involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this sub-clause (vi) shall not in any way prejudice the rights of the Lender under Clause 21.18 (*UMC Litigation*)).

When calculating the Borrower's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available, the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Lender.

20.6 Merger

- (a) The Borrower shall not enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelenie obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than a consolidation or merger with one of its Subsidiaries where the Borrower is the surviving entity.
- (b) The Borrower shall ensure that no Significant Subsidiary will enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdeleyeniye obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction if such reorganisation or transaction would, in the opinion of the Lender (acting reasonably), have a Material Adverse Effect.

20.7 Change of business

The Borrower shall procure that no substantial change is made to the general nature of the business of the Borrower or the Group from that carried on at the Signing Date.

20.8 Conduct of business

The Borrower shall, and shall procure that each of its Significant Subsidiaries will, conduct its business in all material respects in accordance with:

- (a) all Telecommunications Laws to which it is or may become subject;
- (b) all requirements of the telecommunications regulators of the Russian Federation, Ukraine and any other jurisdiction where it conducts its business; and
- (c) the terms of all relevant Telecommunications Authorisations.

20.9 Asset maintenance

The Borrower shall, and shall procure that each of its Significant Subsidiaries will, have and maintain good and marketable title to or valid leases or licences of, or rights of use relating to, all assets necessary to maintain, develop and operate and otherwise conduct its business as then being conducted by it and in each case where failure to do so might reasonably be expected to have a Material Adverse Effect.

20.10 Insurance

The Borrower shall (and shall ensure that each other member of the Group will) maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks, and to the extent, usually insured against by prudent companies located in the same or a similar location and carrying on a similar business.

20.11 Transactions with Related Parties

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will), directly or indirectly, enter into or permit to exist any intercompany loan with, or for the benefit of, any Related Party, unless:
- (i) the terms of such intercompany loan are no less favourable to such member of the Group than those that could be obtained in a comparable arm's-length transaction or series of related transactions with a person that is not a Related Party; or
 - (ii) such intercompany loan is made pursuant to a contract or contracts existing on the Signing Date (excluding any amendments or modifications thereto after the Signing Date),

provided that the aggregate outstanding amount of all such intercompany loans described in sub-clauses (i) and (ii) above does not, at any time, exceed \$100,000,000.

- (b) Paragraph (a) above does not apply to:
- (i) compensation or employee benefit arrangements with any officer or director of any member of the Group arising out of any employment contract entered into in the ordinary course of business; or
 - (ii) transactions between members of the Group.
- (c) For the purposes of this Clause 20.11 only, a **"Related Party"** means, with respect to any specified person:
- (i) any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person; or
 - (ii) any other person who is a director or executive officer of (a) such specified person or (b) any person described in (i) above.

For purposes of the definition of **"Related Party"** only, **"control"** (including, with correlative meanings, the terms **"controlling," "controlled by"** and **"under common control with"**), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10 per cent. or more of any class, or any series of any class, of equity securities of a person, whether or not voting, shall be deemed to be control.

20.12 Restriction on acquisitions

The Borrower shall not establish or acquire any Subsidiary or invest in any other entity without the consent of the Lender (such consent not to be unreasonably withheld), provided that this Clause 20.12 shall not apply to any such acquisition or investment where:

- (a) such acquisition or investment relates to a Subsidiary or entity whose principal business is telecommunications or the provision of data services or related or ancillary businesses; and
- (b) the consideration paid by the Borrower in relation to such acquisition or investment, when aggregated with the consideration paid by the Borrower in relation to each other acquisition or investment permitted under this paragraph (b), does not exceed (i) 20 per cent. of the Borrower's Total Assets in the financial year of the Borrower ending 31 December 2004; and (ii) 15 per cent. (or such higher amount not exceeding 20 per cent. as the Lender may agree (acting reasonably)) of the Borrower's Total Assets in any other financial year of the Borrower.

20.13 Prompt payment of Taxes

The Borrower shall (and shall ensure that each Significant Subsidiary will) duly pay all Taxes payable by it, other than (a) those taxes which are being contested in good faith and by appropriate proceedings and in respect of which adequate reserves or other appropriate provisions have been made; or (b) whose amount does not exceed \$25,000,000 (or its equivalent in any other currencies).

20.14 *Pari passu*

The Borrower shall, and shall procure that each member of the Group will, procure that its obligations under the Finance Documents rank at least *pari passu* with all its other unsecured, unsubordinated obligations save where such other obligations are mandatorily preferred by law.

20.15 Loans and guarantees

- (a) The Borrower shall not (and the Borrower shall ensure that no member of the Group will):
 - (i) make any loan, or provide any form of credit or financial accommodation, to any person (including, without limitation, its employees, shareholders, another member of the Group and any Affiliate); or
 - (ii) give or issue any guarantee, indemnity, bond or letter of credit to or for the benefit of, or in respect of liabilities or obligations of, any other person or voluntarily assume any liability (whether actual or contingent) of any other person (including, in each case and without limitation, its employees, shareholders, another member of the Group and any Affiliate).
- (b) The restrictions in paragraph (a) above do not apply to (i) loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit expressly permitted by the Finance Documents or for normal trade credit on arm's length terms and in the ordinary course of business or granted by a member of the Group to another member of the Group, provided that the aggregate amount of such loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit does not at any time exceed 10 per cent. of the Borrower's Total Assets; (ii) guarantees by the Borrower in relation to the obligations of any other member of the Group; or (iii) the arrangements permitted under Clause 20.11 (*Transactions with Related Parties*).

20.16 Environment, health and safety

The Borrower shall conduct its business with due regard to the environment and public and occupational health and safety. The Borrower shall conduct its business in accordance with applicable Environmental Law and with environmental standards existing in the European Union on the date hereof (or, in the event that such standards do not exist in the European Union, as set forth in the applicable environmental guidelines of the World Bank Group).

21 EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 21 is an Event of Default.

21.1 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within three Business Days of its due date.

21.2 Financial covenants

Any requirement of Clause 19 (*Financial Covenants*) is not satisfied.

21.3 Other obligations

- (a) The Borrower does not comply with any provision of the Finance Documents (other than those referred to in Clause 21.1 (*Non-payment*) and Clause 21.2 (*Financial Covenants*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the Lender giving notice to the Borrower or the Borrower becoming aware of the failure to comply.

21.4 Misrepresentation

Any representation or statement made or deemed to be made by the Borrower in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, and such representation or statement shall not have been rendered correct and not misleading within 10 Business Days of the Lender giving notice to the Borrower or the Borrower becoming aware of the same.

21.5 Cross default

- (a) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is not paid when due nor within any originally applicable grace period.
- (b) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any single commitment for any Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is cancelled or

suspended by a creditor of any member of the Group as a result of an event of default (however described).

- (d) Any creditor of any member of the Group becomes entitled to declare any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) Any of the events described in paragraphs (a) to (d) above occurs in relation to any Financial Indebtedness or commitment for Financial Indebtedness of any amount (including, for the avoidance of doubt, any amount that is less than \$10,000,000 (or its equivalent in any other currency or currencies)), and the aggregate amount of all such Financial Indebtedness and commitments for Financial Indebtedness is in excess of \$35,000,000 (or its equivalent in any other currency or currencies).

21.6 Insolvency

- (a) The Borrower or a Significant Subsidiary is unable or admits its inability to pay its debts as they fall due, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling its indebtedness generally.
- (b) The value of the assets of the Borrower or a Significant Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of the indebtedness of the Borrower or a Significant Subsidiary.

21.7 Insolvency proceedings

Any corporate action or legal proceedings are taken in relation to:

- (a) the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of the Borrower or a Significant Subsidiary, including, but not limited to, institution of supervision (*nablyudenie*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshneye upravlenie*) or bankruptcy management (*konkursnoye upravlenie*) (and such legal proceedings continue for at least 14 days);
- (b) the suspension of payments or a moratorium of any indebtedness of the Borrower or a Significant Subsidiary (and such suspension continues for at least 14 days);
- (c) the presentation or filing of a petition (or similar document) in respect of the Borrower or a Significant Subsidiary in any court, state arbitration court (*arbitrazhnyi sud*) or before any other authority in respect of the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of the Borrower or a Significant Subsidiary (and such petition has not been discharged within 14 days);
- (d) the appointment of a liquidator (*likvidator*) or a liquidation commission (*likvidatsionnaya komissiya*), temporary manager (*vremenniy upravlaushiy*), administrative manager (*administrativniy upravlaushiy*), external manager (*vneshniy upravlaushiy*), bankruptcy manager (*konkursniy upravlaushiy*), receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Borrower or a Significant Subsidiary or any of its assets (and such appointment continues for at least 14 days); or

- (e) the enforcement of any Security over any asset or assets of the Borrower or a Significant Subsidiary (unless such enforcement is stayed within 14 days),

or any analogous procedure or step is taken in any jurisdiction.

21.8 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Borrower or a Significant Subsidiary with a value in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and is not discharged or stayed within 30 days.

21.9 Judgment

The rendering against the Borrower or any Subsidiary of the Borrower of a judgment, decree or order for the payment of money in an amount in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and the continuance of any such judgment, decree or order unsatisfied and in effect for any period of 60 consecutive days without a stay of execution.

21.10 Loss of Licence

(a) Any action results in the suspension for more than 30 days or the loss, revocation or termination of any of:

- (i) the Borrower's GSM 900 or 1800 licences for the Moscow licence area;
- (ii) Telecom XXI's GSM 900 or 1800 licences for the St. Petersburg licence area;
- (iii) Kuban GSM's GSM 900 or 1800 licences for the Krasnodar licence area; or
- (iv) UMC's GSM 900 or 1800 licences for the Ukraine licence area,

except where, within 30 days of any such event, the relevant licence is re-issued on substantially the same terms to any member of the Group and during the period falling before such re-issuance there is no material interruption to, or other material adverse effect on, the operations permitted by such licence as a direct result of such prior loss, revocation or termination.

- (b) Any of the Borrower's, Telecom XXI's, Kuban GSM's or UMC's GSM 900 or 1800 licences are amended (or any conditions are imposed with respect to any such licence) in a manner that, in the reasonable opinion of the Lender, has or is reasonably likely to have a Material Adverse Effect.
- (c) Any of the Borrower's, Telecom XXI's, Kuban GSM's or UMC's assigned spectrum allocations are reassigned to other users (other than a Significant Subsidiary of the Borrower), cancelled or otherwise lost, and such event, in the reasonable opinion of the Lender, has or is reasonably likely to have a Material Adverse Effect.
- (d) The Borrower sells, leases or otherwise transfers any of its GSM 900 or 1800 licences for the Moscow licence area.
- (e) Any of the Borrower's GSM 900 or 1800 licences (other than its GSM 900 and 1800 licences for the Moscow licence area) is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Borrower.
 - (i) Any of the GSM 900 or 1800 licences of Telecom XXI, Kuban GSM or UMC is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Borrower.

- (ii) Sub-clause (i) above does not apply to the transfer of the GSM 900 or 1800 licences of UMC pursuant to the UMC Litigation (provided that this sub-clause (ii) shall not in any way prejudice the rights of the Lender under Clause 21.18 (*UMC Litigation*)).

21.11 Cessation of Business

The Borrower or any Significant Subsidiary suspends, ceases or threatens to suspend or cease to carry on all or a substantial part of its business.

21.12 Expropriation

- (a) By or under the authority of any government:
 - (i) any seizure, compulsory acquisition, expropriation, nationalisation or renationalisation is made after the Signing Date of all or any material part of the assets or shares of (or other ownership interest in) any member of the Group;
 - (ii) the management of any member of the Group is wholly or partially displaced or the authority of any member of the Group in the conduct of its business is wholly or partially curtailed; or
 - (iii) any member of the Group is otherwise deprived of, or prevented from exercising ownership or control of, its material business or assets.
- (b) Paragraph (a) above does not apply to the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this paragraph (b) shall not in any way prejudice the rights of the Lender under Clause 21.18 (*UMC Litigation*)).

21.13 Russian Foreign Exchange Restrictions

Any foreign exchange law is enacted or introduced in the Russian Federation which has the effect of prohibiting, restricting or delaying any payment by the Borrower or any member of the Group under the Finance Documents.

21.14 Moratorium

Any moratorium is declared on the payment of any external indebtedness of the Russian Federation or of Russian residents generally.

21.15 The Russian Federation

The political or economic situation in the Russian Federation deteriorates or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection or insurgency occurs in, or involves, the Russian Federation and such event, in the reasonable opinion of the Lender, has or is reasonably likely to have a Material Adverse Effect.

21.16 Unlawfulness

It is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents.

21.17 Repudiation

The Borrower repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

21.18 UMC Litigation

The UMC Litigation is adversely determined and, in the reasonable opinion of the Lender, such adverse determination has or is reasonably likely to have a Material Adverse Effect.

21.19 Material adverse change

The Lender determines that a Material Adverse Effect exists, has occurred or is reasonably likely to occur.

21.20 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Lender may, by notice to the Borrower:

- (a) cancel the Commitment whereupon it shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

**SECTION 8
CHANGES TO PARTIES**

22 CHANGES TO THE LENDER

22.1 Assignments and transfers by the Lender

- (a) Subject to this Clause 22, the Lender (the “**Existing Lender**”) may sell, transfer, assign, novate or otherwise dispose of all or part of its rights or obligations under this Agreement and the other Finance Documents to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).
- (b) Unless an Event of Default has occurred, any assignment or transfer shall require the consent of the Borrower, provided that (1) such consent shall not be unreasonably withheld or delayed; and (2) unless the Borrower has notified the Lender to the contrary within 5 Business Days of receiving notice of the intended assignment or transfer, the Borrower will be deemed to have given its consent to that assignment or transfer.

22.2 Conditions of assignment or transfer

If:

- (i) the Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
- (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, the Borrower would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

22.3 Disclosure of information

The Lender may disclose to any of its Affiliates and any other person:

- (a) to (or through) whom the Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
- (b) with (or through) whom the Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or the Borrower; or
- (c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about the Borrower, the Group and the Finance Documents as the Lender shall consider appropriate if, in relation to paragraphs (a) and (b) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking. This Clause supersedes any previous agreement relating to the confidentiality of this information.

22.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, the Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of the Borrower;
 - (iii) the performance and observance by the Borrower of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

- (b) Each New Lender confirms to the Existing Lender that it:
- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of the Borrower and its related entities whilst any amount is or may be outstanding under the Finance Documents or the Commitment is in force.
- (c) Nothing in any Finance Document obliges the Existing Lender to:
- (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 22; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Borrower of its obligations under the Finance Documents or otherwise.

23 CHANGES TO THE BORROWER

The Borrower may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents without the prior written consent of the Lender.

**SECTION 9
THE LENDER**

24 CONDUCT OF BUSINESS BY THE LENDER

No provision of this Agreement will:

- (a) interfere with the right of the Lender to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige the Lender to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige the Lender to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

**SECTION 10
ADMINISTRATION**

25 PAYMENT MECHANICS

25.1 Payments to the Lender

- (a) On each date on which the Borrower is required to make a payment under a Finance Document, the Borrower shall make the same available to the Lender (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Lender specifies.

25.2 Partial payments

- (a) If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Lender shall apply that payment towards the obligations of the Borrower under the Finance Documents any order selected by the Lender.
- (b) Paragraph (a) above will override any appropriation made by the Borrower.

25.3 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

25.4 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

25.5 Currency of account

- (a) Subject to paragraphs (b) to (e) below, Dollars is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

- (e) Any amount expressed to be payable in a currency other than Dollars shall be paid in that other currency.

25.6 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Lender (after consultation with the Borrower); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Lender (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Lender (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

26 SET-OFF

The Lender may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by the Lender) against any matured obligation owed by the Lender to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

27 NOTICES

27.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

27.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is that identified with its name below, or any substitute address, fax number or department or officer as a Party may notify to the other Party by not less than five Business Days' notice.

27.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or

- (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 27.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender and then only if it is expressly marked for the attention of the department or officer identified with its signature below (or any substitute department or officer as it shall specify for this purpose).

27.4 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Lender, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

28 CALCULATIONS AND CERTIFICATES

28.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Lender are prima facie evidence of the matters to which they relate.

28.2 Certificates and Determinations

Any certification or determination by the Lender of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

28.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the London interbank market differs, in accordance with that market practice.

29 PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

30 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or

remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

31 AMENDMENTS AND WAIVERS

No term of the Finance Documents may be amended or waived without the consent of the Lender and the Borrower and any such amendment or waiver will be binding on all Parties.

32 COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

SECTION 11
GOVERNING LAW AND ENFORCEMENT

33 GOVERNING LAW

This Agreement is governed by English law.

34 ARBITRATION AND JURISDICTION

34.1 Arbitration

Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as in force on the Signing Date. There shall be one arbitrator and the appointing authority shall be the London Court of International Arbitration. The seat and place of arbitration shall be London, England and the English language shall be used throughout the arbitral proceedings. The parties hereby waive any rights under the Arbitration Act 1996 or otherwise to appeal any arbitration award to, or to seek determination of a preliminary point of law by, the courts of England. The arbitral tribunal shall not be authorised to take or provide, and the Borrower agrees that it shall not seek from any judicial authority, any interim measures of protection or pre-award relief against EBRD, any provisions of the UNCITRAL Arbitration Rules notwithstanding. The arbitral tribunal shall have authority to consider and include in any proceeding, decision or award any further dispute properly brought before it by EBRD (but no other party) insofar as such dispute arises out of any Finance Document, but, subject to the foregoing, no other parties or other disputes shall be included in, or consolidated with, the arbitral proceedings. In any arbitral proceeding, the certificate of EBRD as to any amount due to it under any Finance Document shall, in the absence of manifest error, be prima facie evidence of such amount.

34.2 Recourse to Courts

Notwithstanding Clause 34.1 above, this Agreement and the other Finance Document, and any rights of EBRD arising out of or relating to this Agreement or any other Financing Agreement, may, at the option of EBRD, be enforced by EBRD in the courts of England or in any other courts having jurisdiction. For the benefit of EBRD, the Borrower hereby irrevocably submits to the non-exclusive jurisdiction of the courts of England with respect to any dispute, controversy or claim arising out of or relating to this Agreement or any other Finance Document, or the breach, termination or invalidity hereof or thereof. The Borrower hereby irrevocably designates, appoints and empowers Law Debenture Corporate Services Limited at its registered office (being, on the date hereof, at 5th floor, 100 Wood Street, London EC2V 1EX, England) to act as its authorised agent to receive service of process and any other legal summons in England for purposes of any legal action or proceeding brought by EBRD in respect of any Finance Document. The Borrower hereby irrevocably consents to the service of process or any other legal summons out of such courts by mailing copies thereof by registered airmail postage prepaid to its address specified herein. The Borrower covenants and agrees that, so long as it has any obligations under this Agreement, it shall maintain a duly appointed agent to receive service of process and any other legal summons in England for purposes of any legal action or proceeding brought by EBRD in respect of any Finance Document and shall keep the Lender advised of the identity and location of such agent. Nothing herein shall affect the right of EBRD to commence legal actions or proceedings against the Borrower in any manner authorised by the laws of any relevant jurisdiction. The commencement by EBRD of legal actions or proceedings in one or more jurisdictions shall not

preclude EBRD from commencing legal actions or proceedings in any other jurisdiction, whether concurrently or not. The Borrower irrevocably waives any objection it may now or hereafter have on any grounds whatsoever to the laying of venue of any legal action or proceeding and any claim it may now or hereafter have that any such legal action or proceeding has been brought in an inconvenient forum.

35 IMMUNITIES

35.1 Privileges and Immunities of EBRD

Nothing in this Agreement shall be construed as a waiver, renunciation or other modification of any immunities, privileges or exemptions of EBRD accorded under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law.

35.2 Waiver of immunity

The Borrower irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Borrower irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
Conditions precedent

1 Finance Documents

An executed original of this Agreement.

2 The Borrower

- (a) Certified copies of the Borrower's duly registered constitutional documents and certificates of registration.
- (b) Certified copies of all corporate resolutions necessary to authorise the Borrower to execute and perform the Finance Documents and any documents referred to therein and the transactions contemplated thereunder (including but not limited to any major transaction approvals or interested party transaction approvals, if applicable).
- (c) Evidence of the authority of the relevant signatories of the Borrower (including, but not limited to, its Chief Accountant) to execute each Finance Document to which it is a party and any documents referred to therein and the transactions contemplated thereunder.
- (d) A certified copy of the most recent balance sheet of the Borrower by reference to the date of each Finance Document.
- (e) A certificate executed on behalf of the Borrower:
 - (i) certifying the sample signature and office of each person that signed the relevant Finance Document and any documents referred to therein and the transactions contemplated thereunder on behalf of the Borrower and certifying that such signatories hold the positions in which capacity they executed such documents; and
 - (ii) certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

3 Legal opinions

- (a) A legal opinion of Linklaters as to matters of English law.
- (b) A legal opinion of Linklaters CIS as to matters of Russian law.
- (c) An in-house legal opinion of the Borrower.

4 Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 34 (*Recourse to Courts*) has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (c) The Original Financial Statements.
- (d) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and 16 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.

- (e) A copy of the *deal passport* of the Borrower (in the form established by Instruction No. 117-I of the Central Bank of the Russian Federation dated 15 June 2004) accepted and duly certified by a Russian authorised bank and copies of all other documents submitted by the Borrower to the Russian authorised bank in accordance with applicable Russian currency control regulations, as the Lender may reasonably require (or written confirmation from ING Bank (Eurasia) ZAO that all documents required to obtain such *deal passport* have been duly submitted to it by or on behalf of the Borrower).
- (f) Such other documents or evidence which the Lender may reasonably require.

SCHEDULE 2
Utilisation Request

From: Mobile TeleSystems Open Joint Stock Company

To: European Bank for Reconstruction and Development

Dated:

Dear Sirs

Mobile TeleSystems Open Joint Stock Company — US\$150,000,000 Facility Agreement
dated [] (the “Agreement”)

- 1** We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
- 2** We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [] or, if that is not a Business Day, the next Business Day

Amount: [] or, if less, the Available Commitment
- 3** We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
- 4** The proceeds of this Loan should be credited to [specify bank account of the Borrower].
- 5** This Utilisation Request is irrevocable.

Mobile TeleSystems Open Joint Stock Company

By: _____
Name:
Title:

By: _____
Name:
Title: Chief Accountant

SCHEDULE 3
Form of Compliance Certificate

To: European Bank for Reconstruction and Development

From: Mobile TeleSystems Open Joint Stock Company

Dated:

Dear Sirs

Mobile TeleSystems Open Joint Stock Company — US\$150,000,000 Facility Agreement
dated [_____] (the “Agreement”)

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

- 1 [We confirm that no Default is continuing.]*
- 2 We confirm that the ratio of Borrowings as at the end of the Relevant Period ending on [•] to EBITDA in respect of such Relevant Period, was [•].
- 3 We confirm that the ratio of EBITDA to Interest Expense for the Relevant Period ending on [•], was [•].

Signed:

[Chief Financial Officer] of
Mobile TeleSystems Open Joint Stock Company

**insert applicable certification language*

We have reviewed the Facility Agreement and audited consolidated financial statements of the Mobile TeleSystems Open Joint Stock Company for the year ended [_____].

On the basis of that review and audit, nothing has come to our attention which would require any modification to the confirmations in paragraphs 2 or 3 of the above Compliance Certificate.

.....

for and on behalf of

name of auditors of Mobile TeleSystems Open Joint Stock Company

*If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

The Borrower

Mobile TeleSystems Open Joint Stock Company

Address: Ul. Vorontsovskaya 5, Bld. 2
109147 Moscow
Russian Federation

Fax No: +7 095 911 6531

Attention: Tatiana Evtoushenkova
Vice President for Investments and
Corporate Development

By: _____

By: _____

Name:

Name:

Title:

Title:

The Lender

European Bank for Reconstruction and Development

Address: One Exchange Square

London EC2A 2JN
United Kingdom

Fax No: +44 20 7338 6100

Attention: Operation Administration Unit

By: _____

Name:

Title:

DOC 22 Header

CREDIT AGREEMENT

Dated October 18th, 2005

between

OJSC Mobile TeleSystems, Russian Federation

as Borrower

and

HSBC Bank plc

ING Bank Deutschland AG

Commerzbank Aktiengesellschaft

as Mandated Lead Arrangers and Lenders

and

HSBC Bank plc

as Facility Agent

and

BHF-BANK Aktiengesellschaft

as Hermes Agent

Table of Contents

Preamble

Clause

1.	Definitions and Interpretations	5
2.	Amount and Purpose of the Credits	8
3.	Disbursements / Reimbursements	11
4.	Conditions Precedent to Disbursements / Reimbursements	13
5.	Interest Periods, Interest, Increased Costs	15
6.	Fees	18
7.	Calculation of Periods	18
8.	Repayment and Prepayment	18
9.	Payments	19
10.	Taxes, Levies, Duties and Other Costs	20
11.	Guarantee of the Federal Republic of Germany for tied Buyer's Credits	23
12.	Suspension of Disbursement, Payments Immediately Due (Events of Default)	24
13.	Representations and Warranties	26
14.	Financial Statements, Information and Undertakings (Covenants)	27
15.	Assignability	29
16.	Statements and Notices	30
17.	Miscellaneous	30
18.	Currency Indemnity	31
19.	Applicable Law, Place of Performance and Jurisdiction	31
20.	General Provisions	32

Annexes to the Credit Agreement

- 1a – 1f Certificates for Disbursement and Reimbursement and Request for a fixed interest rate
- 2 Confirmation of Coming into Force of the Export Contract / Additional Export Contract
- 3a - 3b Confirmation of Mean-weighted Acceptance of Equipment and Software in relation to the Export Contract / in relation to the Additional Export Contract
- 4 Specimen Signature List of the Borrower
- 5 Form for Appointment of Agent for Service of Process to the Credit Agreement

This Agreement is made by and between:

OJSC Mobile TeleSystems, Moscow, Russian Federation (the "Borrower")

and

HSBC Bank plc., London, United Kingdom

and

ING Bank Deutschland AG, Frankfurt am Main, Federal Republic of Germany

and

Commerzbank Aktiengesellschaft Frankfurt am Main, Federal Republic of Germany

(each a "Lender" and together the "Lenders")

and

HSBC Bank plc. as Facility Agent ("the Facility Agent")

and

BHF-BANK Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany as Hermes Agent (the "Hermes Agent").

Preamble

- A. On 17 December 2004 the Borrower concluded contract number 4825/04-MTC (the "Export Contract") with Siemens Aktiengesellschaft, Berlin-Munich, Federal Republic of Germany (the "Exporter") for the delivery of telecommunication equipment and provision of software licenses for a GSM 900/1800 cellular network.
- B. The total contract value of the deliveries that may be made and services that may be rendered under the Export Contract amounts to USD 166,381,200 (the "Total Contract Value").
- C. According to the Export Contract the deliveries/services shall be made/rendered through the placement of individual purchase orders issued between February 1st, 2005 to December 31st, 2005. Installation and commissioning work will be carried out by OOO Siemens, Moscow, and is not subject of financing hereunder.
- D. The value of the orders expected to be made by the Borrower under the Export Contract until December 31st, 2005 amounts to USD 135,785,732 and is to be paid, according to the terms of the Export Contract, as follows:
 - (1) 15% down payments
 - (2) 85% of the value of each delivery or service (the "Partial Contract Value") provided that a tied buyer's credit is available for financing of the Partial Contract Value, pro rata to deliveries made/services rendered within 15 days of such deliveries/services.
- E. The Borrower and the Exporter may also agree to enter into a further contract for the supply of additional telecommunications equipment or to make additional orders under the Export Contract (in either case the "Additional Export Contract") up to the Total Contract Value, the financing terms of which may provide for additional payments partially being made under the terms of this Credit Agreement.

- F. The total additional contract value of further deliveries to be made and services to be rendered under the Additional Export Contract (if such Additional Export Contract is agreed) is expected to amount up to USD 30,595,468 (the “Total Additional Contract Value”).
- G. The terms of the Additional Export Contract (if agreed) are expected to enable deliveries/services to be made/rendered through a further series of purchase orders beginning on January 1st, 2006
- H. The Total Additional Contract Value (if the Additional Export Contract is agreed) is expected to consist of 15% down payments and a portion of 85% as partial additional contract value (the “Partial Additional Contract Value”) to be financed hereunder at the option of the Borrower, subject to the agreement of Hermes (as defined below) and the Lenders.

This being premised, it is hereby agreed as follows:

1. Definitions and Interpretations

Additional Export Contract	means an additional contract which may be entered into between the Borrower and the Exporter or additional deliveries or services rendered under the Export Contract as defined in Article E of the Preamble
Additional Insurance Premium	means the premium as defined in Clause 11.3
Additional Repayment Date	means the date(s) as defined in Clause 5.1 d)
Affiliate	means, in relation to any person a Subsidiary of that person, or a Holding Company of that person, or any other Subsidiary of that Holding Company
Agent for Service of Process	means the person or entity as defined in Clause 19.4
Agreed Currency	means the currency as defined in Clause 18
Banking Day	means a day (other than Saturday or Sunday) on which banks are generally open for business in London, Amsterdam, Moscow and Frankfurt am Main
Borrower	means OJSC Mobile TeleSystems, 4 Marksistskaya Street, Moscow 109147, Russian Federation Payment details: foreign currency account No. 40702840500001001817 with ING Bank (Eurasia) ZAO, Moscow 123022, Krasnaya Presnja Str., 31 SWIFT code INGBRUMM.
Credit A	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 1 and Tranche 2
Credit B	means the principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and shall include each of Tranche 3 and Tranche 4
Credit or Credits	means the aggregate principal amount as specified in Clause 2.1 already disbursed and/or still to be disbursed as the context requires and “Credits” shall include Credit A and Credit B

Credit Agreement	means this agreement
Export Contract	means the contract between the Borrower and the Exporter defined in Article A of the Preamble
Exporter	means Siemens Aktiengesellschaft, Hofmannstrasse 51, 81379 Munich, Federal Republic of Germany
Facility Agent	means HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom
Hermes	means the German export credit agency Euler Hermes Kreditversicherungs-AG, Hamburg, Federal Republic of Germany
Hermes Agent	means BHF-BANK Aktiengesellschaft, Bockenheimer Landstrasse 10, 60323 Frankfurt am Main, Federal Republic of Germany
Holding Company	means, in relation to a person, any other person in respect of which it is a Subsidiary
Insurance Agreement	means the agreement as per Clause 11.1
Insurance Premium	means the premium as defined in Clause 11.2
Interest Payment Date	means the date as defined in Clause 5.2.e)
Interest Period(s)	means the period(s) as defined in Clause 5.1
Judgement Currency	means the currency as defined in Clause 18
Lender(s)	<p>means HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom Payment details: SWIFT MRMDUS33, account number 000-023868 held with HSBC Bank USA, New York, in favour of HSBC Bank plc, London, SWIFT MIDLGB22 account number 36677449 in the name of Project and Export Finance quoting ref 53M/FC1072</p> <p>and ING Bank Deutschland AG, Hahnstrasse 49, 60606 Frankfurt am Main, Germany Payment details SWIFT CHASUS33, account number ING Belgium / Swift BBRUBEBB in favour of ING Bank Deutschland AG / SWIFT INGBDEFF quoting ref. SEF/MTS-Siemens</p> <p>and Commerzbank Aktiengesellschaft, Munich branch, Postbox, D-80791 Munich, Germany Payment details: SWIFT COBADEFF700 via COBAUS3XXXX, account number 213219900 USD held with Commerzbank Aktiengesellschaft, New York branch in the name of Mobile Telesystems OJSC quoting ref. LCO München</p>

LIBOR	means the interest rate as defined in Clause 5.2.a)
Margin	means the margin as defined in Clause 5.2.a)
Partial Contract Value	means the part of the value of the deliveries made or services rendered as defined in Article D of the Preamble
Partial Additional Contract Value	means the part of the value of the deliveries made or services rendered as defined in Article H of the Preamble
Reference Banks	means the London offices of HSBC Bank plc and ING Bank N.V. and Commerzbank Aktiengesellschaft
Repayment Date(s)	means the date(s) as defined in Clause 5.1.d)
Passport Bank	means OOO HSBC Bank (RR) 9, Dmitrovsky pereulok, Moscow 103031, Russian Federation or such other bank as approved by the Facility Agent
Special Payment Procedure	means the special payment procedure provided for under a certain disbursement facility agreement to be entered into by and between the Borrower, the Facility Agent and the Passport Bank.
Subsidiary	means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership
Supplemental Insurance Agreement	means the supplemental agreement as per Clause 11.1
Total Assets	means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower's most recent annual consolidated balance sheet delivered in accordance with Clause 14 a)
Total Contract Value	means the aggregate price agreed upon in the Export Contract for deliveries made and services rendered thereunder as defined in Article B of the Preamble
Total Additional Contract Value	means the aggregate price agreed upon in the Additional Export Contract for deliveries to be made and services to be rendered thereunder as defined in Article F of the Preamble
Tranche 1	means the part of Credit A as defined in Clause 2.2.a) hereof
Tranche 2	means the part of Credit A as defined in Clause 2.2.b) hereof
Tranche 3	means the part of Credit B as defined in Clause 2.2.c) hereof
Tranche 4	means the part of Credit B as defined in Clause 2.2.d) hereof
Tranches	means, collectively, Tranche 1 and Tranche 2 and, if applicable Tranche 3 and Tranche 4 as defined in Clause 2.2
UMC	Means Closed Joint Stock Company "Ukrainian Mobile Communications", 15 Leiptsyzka Street, Kyiv, Ukraine

UMC Litigation means any of the claims, proceedings (present or future) and causes of action involving the Borrower, and/or any Affiliate thereof (including UMC) relating to or arising out of the sale of UMC to the Borrower, or the acquisition, reorganization or ownership of UMC by the Borrower.

USD means the lawful currency of the United States of America

2. Amount and Purpose of the Credits

2.1 The Lenders grant to the Borrower a credit in an aggregate amount of up to:

USD 125,725,500

(in words: United States Dollars one hundred and twenty five million seven hundred and twenty five thousand five hundred)
("Credit A")

With reference to the Additional Export Contract, and subject to the agreement of Hermes, the Lenders may elect in their absolute and free discretion to grant to the Borrower upon its written request a further credit in an aggregate amount of up to:

USD 28,321,000

(in words: United States Dollars twenty eight million three hundred and twenty one thousand)
("Credit B")

It is hereby agreed and understood by the Borrower and the Lenders that the Lenders, by entering into this Credit Agreement, do not assume any commitment to grant Credit B but that the granting of such Credit B is at their sole discretion and will only materialise upon the Lenders written approval.

Credit A and Credit B shall hereinafter be referred to individually as a "Credit" or collectively as "Credits".

2.2 Credits shall consist of:

- a) Tranche 1 in an amount of USD 115,417,872 (in words: United States Dollars one hundred and fifteen million four hundred and seventeen thousand and eight hundred seventy two) which shall be available for the financing of the Partial Contract Value either (i) still due and payable to the Exporter resulting from deliveries made/services rendered under the Export Contract, or (ii) payable to the Borrower resulting from deliveries made / services rendered under the Export Contract for which payment has been made, directly by the Borrower to the Exporter; and
- b) Tranche 2 in an amount of USD 10,307,628 (in words: United States Dollars ten million three hundred and seven thousand six hundred and twenty eight) which shall be available for the financing of up to 100% of the Insurance Premium for cover of the Lenders' payment claims under the Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to Hermes; and if so applicable
- c) Tranche 3 in an amount of up to USD 26,006,148 (in words: United States Dollars twenty six million six thousand one hundred and forty eight) which shall be available for the financing of the Partial Additional Contract Value either (i) still due and payable to the Exporter resulting from deliveries made/services rendered under the Additional Export Contract, or (ii) payable to the Borrower resulting from deliveries made / services rendered under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; and
- d) Tranche 4 in an amount of up to USD 2,314,852 (in words: United States Dollars two million three hundred and fourteen thousand eight hundred and fifty two) which shall be available for the financing of up to 100% of the Additional Insurance Premium for cover of the Lenders' payment claims under the Supplemental Insurance Agreement as per Clause 11.1 paid or payable by the Lenders through the Facility Agent to Hermes;

unless otherwise stipulated hereinafter, any reference in this Credit Agreement to the Credit shall include the Tranches applicable to that Credit, and to Credits or to credit amounts or to any other similar term shall include the Tranches.

2.3 The amounts borrowed under this Credit Agreement are exclusively available (i) provided that payment of the Partial Contract Value for deliveries made/services rendered has been effected by the Borrower to the Exporter prior to fulfilment of all conditions precedent to disbursements / reimbursements under Clause 4 of this Credit Agreement or waiver thereof by the Lenders by means of payment from sources other than this Credit Agreement, for reimbursement thereof to the Borrower; (ii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for reimbursement to the Borrower in the amount of the Partial Contract Value resulting from deliveries made/services rendered under the Export Contract for which payment has been made directly by the Borrower to the Exporter; (iii) with effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or waiver thereof by the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Contract Value resulting from deliveries made/services rendered under the Export Contract; (iv) for reimbursement to the Borrower of up to 100% of the Insurance Premium paid by the Borrower to the Lenders through the Facility Agent; (v) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for reimbursement to the Borrower in the amount of the Partial Additional Contract Value resulting from further deliveries made/services rendered under the Additional Export Contract for which payment has been made directly by the Borrower to the Exporter; (vi) in respect of the optional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for the payment of sums due to the Exporter in the amount of the Partial Additional Contract Value resulting from deliveries made/services rendered under the Additional Export Contract; and (vii) in respect of the additional financing of Credit B if so required by the Borrower, and subject to the agreement of Hermes and the Lenders, for reimbursement to the Borrower of up to 100% of the Additional Insurance Premium paid by the Borrower to the Lenders through the Facility Agent.

2.4 Upon and subject to the terms and conditions of this Credit Agreement each of the Lenders shall participate in each disbursement or reimbursement of the Credits in the proportion of its maximum liability mentioned in this Clause 2.4 as percentage of the maximum credit amounts mentioned in Clause 2.1 hereof.

HSBC Bank plc
8 Canada Square
London E14 5HQ

Credit A

35%, max. USD 44,003,925
(in words: United States Dollars forty four million three thousand nine hundred and twenty five)

Credit B (optional financing)

35%, up to max. USD 9,912,350 (in words: United States Dollars nine million nine hundred and twelve thousand three hundred and fifty)

ING Bank Deutschland AG
Hahnstrasse 49
60606 Frankfurt am Main

Credit A

35%, max. USD 44,003,925
(in words: United States Dollars forty four million three thousand nine hundred and twenty five)

Credit B (optional financing)

35%, up to max. USD 9,912,350
(in words: United States Dollars nine million nine hundred and twelve thousand three hundred and fifty)

Commerzbank Aktiengesellschaft
Munich branch
Postbox, D-80791, Munich

Credit A

30%, max. USD 37,717,650
(in words: United States Dollars thirty seven million seven hundred and seventeen thousand six hundred and fifty)

Credit B (optional financing)

30%, up to max. USD 8,496,300
(in words: United States Dollars eight million four hundred and ninety six thousand three hundred)

2.5 The Credit shall be made available under exclusion of any joint liability. Therefore, each of the Lenders shall only be responsible for the fulfilment of its own obligations and shall not be liable for the fulfilment of the obligations of the other Lenders under this Credit Agreement. The failure of any of the Lenders to provide funds according to its obligation under this Credit Agreement shall neither release the other Lenders nor the Borrower from any of their respective obligations towards each other hereunder.

3. Disbursements / Reimbursements

3.1 Tranche 1 (and if applicable, Tranche 3) shall be disbursed in credit portions directly to the Borrower or, as the case may be, the Exporter to such account and to such financial institution as specified by the Borrower or, as the case may be, the Exporter to the Facility Agent.

The Borrower hereby irrevocably agrees that - under Clause 3.2.b) below - only the Exporter shall have the exclusive right to request payments under Tranche 1 (and if applicable, Tranche 3) and that such direct payments to the Exporter will constitute disbursements of Tranche 1 (and if applicable, Tranche 3) to the Borrower under this Credit Agreement.

- 3.2 a) In the event that prior to or after fulfilment of the conditions precedent to disbursements / reimbursements under the Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, payments are made by the Borrower to the Exporter in the amount or amounts of the respective Partial Contract Value (or Partial Additional Contract Value) out of funds other than out of this Credit Agreement in and towards satisfaction and fulfilment of sums due to the Exporter resulting from the Export Contract, then reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made by the Lenders through the Facility Agent against presentation by the Borrower to the Facility Agent of a certificate as per Annex 1a or 1d hereto in an amount or amounts equal to the aggregate principal amount or amounts of such payments in the maximum amount of the respective Partial Contract Value (or Partial Additional Contract Value) to the Borrower to such account as specified by the Borrower to the Facility Agent.

The Borrower and the Lenders acknowledge and agree to the Exporter's intent to provide the Facility Agent, upon any delivery having been made/service having been rendered under the Export Contract for which the Borrower shall make direct payment to the Exporter out of other funds than of this Credit Agreement before being reimbursed in accordance with this Clause 3.2.a), with copies of the respective delivery documents or invoice, as the case may be. It is the common understanding of the parties hereto that the dispatch of such copies to the Facility Agent shall be for information purposes only; therefore shall neither the failure of the Exporter to send such copies prevent the Lenders in any way from making reimbursements, nor shall the delivery of such copies oblige the Lenders to make reimbursements under this Clause 3.2.a), in particular not in case of any of the conditions precedent for disbursement / reimbursement not being fulfilled.

- b) With effect from the date of fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent acting on behalf of the Lenders, Tranche 1 (and if applicable, Tranche 3) shall be disbursed directly to the Exporter on a pro rata basis against deliveries made/services rendered in an amount equal to 85% of the value of such deliveries/services only upon presentation by the Exporter to the Facility Agent of a certificate as per Annex 1b hereof and of the following documents:

In case of equipment deliveries

- a copy of the commercial invoice issued by the Exporter;
- a copy of the international waybill relating to such equipment.

In case of licenses

- a copy of the commercial invoice issued by the Exporter;
- a copy of the acceptance certificate, signed by the Borrower and the Exporter.

The Facility Agent shall accept and make disbursements against the aforementioned documents as they are being presented to it without any obligation of examination thereof; in particular the Facility Agent shall not be obliged to verify whether or not any documents delivered to it under this Clause 3.2.b) are in compliance with the Uniform Customs and Practices for Documentary Credits, 1993 Revision, ICC Publication No. 500.

- 3.3 Disbursements / reimbursements under Tranche 1 (and if applicable, Tranche 3) as per Clause 3.2 shall be made in minimum amounts of USD 1,000,000.00 provided, however, that, in the event that 85% of the value of any documents presented to the Facility Agent during a calendar month for disbursements under Tranche 1 (and if applicable, Tranche 3) or the amount mentioned in a reimbursement certificate as per Annex 1a or 1d, as the case may be, is less than the aforementioned minimum amount, disbursements or reimbursements under Tranche 1 (and if applicable, Tranche 3) will be made at the end of the relevant calendar month in one amount equal to 85% of the aggregate value of all documents or equal to the aggregate value of all certificates, as the case may be, received by the Lenders during that month in relation to which disbursement or reimbursement under Tranche 1 (and if applicable, Tranche 3) has not previously been made.
- 3.4 Disbursement under Tranche 2 (and if applicable, Tranche 4) for the financing of up to 100% of the Insurance Premium (or as the case may be, the Additional Insurance Premium) shall in either event, whether the Insurance Premium has become due and payable prior to or after the fulfilment of all conditions precedent to disbursements / reimbursements under this Credit Agreement or the waiver thereof by the Facility Agent, acting on behalf of the Lenders, and provided that the Borrower has paid the total amount of the Insurance Premium (or the Additional Insurance Premium) to the Facility Agent as per Clause 11.2 hereof, be made without any request or action by the Borrower upon fulfilment of the conditions precedent to disbursements / reimbursements or waiver thereof by the Lenders through the Facility Agent to the Borrower to such account as will be specified by the Borrower to the Facility Agent.
- 3.5 Each disbursement or reimbursement of the Credits or any portion thereof under this Credit Agreement shall be made at the latest on the 5th Banking Day after all conditions precedent applicable to such disbursement or reimbursement pursuant to Clause 4 hereof have been fulfilled or waived, as the case may be, and provided that the Lenders through the Facility Agent have not exercised any of their rights under Clause 12 hereof.
- 3.6 Unless otherwise instructed by Hermes, the Lenders may (but are not obliged to do so) refuse to disburse the Credits or any portion thereof after the due date of the first repayment instalment laid down in Clause 8 hereof. The Credits will then be reduced by the corresponding amount.
- 3.7 The Borrower may - in case of disbursements according to Clause 3.2.b) - only waive disbursement of the Credits, in full or in part, with the prior written consent of the Lenders and the Exporter.

4. Conditions Precedent to Disbursements / Reimbursements

4.1 In relation to Credit A

The first disbursement or reimbursement under Credit A of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a legal opinion to be issued by Freshfields Bruckhaus Deringer, Moscow, Russian Federation;
- b) a written confirmation in accordance with Annex 2 hereof certifying that the Export Contract has come into force;
- c) a specimen signatures list as per Annex 4 hereof with the specimen signatures of such persons authorised by the Borrower to act on its behalf in connection with this Credit Agreement and such other documents which, pursuant to mandatory provisions under German, Dutch or English law, are required by the Lenders and/or the Facility Agent to open and to maintain a credit account on behalf of the Borrower such documents to be specified by the Lenders and/ or the Facility Agent without any undue delay in writing;
- d) a copy of the executed Export Contract;
- e) an undertaking by the Exporter in favour of the Lenders with regard to certain risks and obligations not covered by the Insurance Agreement as per Clause 11.1 hereof;
- f) a certificate as per Annex 1a, 1b, 1c, 1d or 1e , as the case may be;
- g) confirmation issued by the Passport Bank certifying its appointment by the Borrower as Passport Bank;
- h) evidence that the down payment referred to in Article D of the Preamble has been made to the Exporter by the Borrower; and
- i) such other certificates and documentation and other evidence reasonably requested by the Lenders in order for them to carry out and be satisfied with the results of all necessary “know your customer” or similar requirements, including those reasonably required to ensure compliance with money laundering procedures in their relevant jurisdictions.

In relation to Credit B (if applicable)

The first disbursement or reimbursement under Credit B of this Credit Agreement shall be conditional upon the Facility Agent having received the following documents free of expense in form and substance satisfactory to the Lenders:

- a) a written confirmation issued by Freshfields Bruckhaus Deringer, Moscow, as Lenders’ counsel confirming that the original legal opinion rendered under Clause 4.1.a) above is applicable mutatis mutandis to this Credit Agreement as increased by Credit B, such confirmation stating inter alia that all necessary permits, authorisations and registrations in the Russian Federation have been obtained;
- b) a copy of the executed Additional Export Contract;
- c) a written confirmation in accordance with Annex 2 hereof certifying that the Additional Export Contract has come into force; and
- d) an undertaking by the Exporter in favour of the Lenders with regard to certain risks and obligations not covered by the Supplemental Insurance Agreement as per Clause 11.1 hereof.

4.2 Furthermore, the first disbursement or reimbursement under Credit A or, if applicable Credit B, is conditional upon receipt by the Lenders of the following payments:

- a) payment of the fee as per Clause 6.2 hereof in the case of Credit A and, payment of additional fees pursuant to Clause 6.4 hereof in the case of Credit B; and
 - b) payment of 100% of the Insurance Premium and, as the case may be, 100% of the Additional Insurance Premium.
- 4.3 Moreover, the first disbursement under this Credit Agreement by way of direct disbursement to the Exporter as per Clause 3.2. is subject to such disbursement procedure being in full and strict compliance with the Russian laws (in particular but not limited to the Law on Currency Regulation and Currency Control dated 10 December 2003); such compliance to be evidenced to the Lenders in form and substance satisfactory to the Lenders.
- 4.4 Each reimbursement under Tranche 1 or Tranche 3 as per Clause 3.2. a) hereof is furthermore subject to evidence satisfactory to the Lenders that payments were made by the Borrower for deliveries made/services rendered under the Export Contract or the Additional Export Contract, as the case may be, and have been received by the Exporter in amounts corresponding to those mentioned in the relevant reimbursement certificate in form and substance as per Annex 1a or 1d, as the case may be, hereto.
- 4.5 Each disbursement or reimbursement under this Credit Agreement is subject to the condition that the Insurance Agreement and, as the case may be, the Supplemental Insurance Agreement, as per Clause 11.1 is in full force and effect and covers the Lenders' claims under this Credit Agreement.
- 4.6 The Lenders through the Facility Agent shall together be entitled to waive any one or more of the aforementioned conditions precedent to disbursements / reimbursements as the Lenders at their sole discretion deem fit, whereupon — unless otherwise notified in writing by the Facility Agent to the Borrower - any such condition precedent shall be deemed to constitute a condition subsequent which the Borrower undertakes to satisfy within such period of time which the Facility Agent may reasonably determine.
- 4.7 The Facility Agent will notify the Borrower and the Exporter without delay in writing of the fulfilment of the conditions precedent to first disbursement or reimbursement and, if applicable, conditions subsequent.
5. Interest Periods, Interest, Increased Costs
- 5.1 For the purpose of periodical calculation of interest and its payment by the Borrower as determined hereinafter, each interest period (the "Interest Period") shall be of a duration of 6 months, provided that:
- a) the first Interest Period in respect of the first disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end 6 months after the date of that disbursement or reimbursement subject to 5.1 d and 5.1 e below;
 - b) the first Interest Period in respect of any subsequent disbursement or reimbursement shall commence on the date of that disbursement or reimbursement and end upon expiry of the then current Interest Period relating to the respective Credit A or Credit B, as the case may be;
 - c) each subsequent Interest Period shall commence on the expiry of the preceding Interest Period;
 - d) any Interest Period which would otherwise extend beyond the due date of any repayment

instalment pursuant to Clause 8.1 of this Credit Agreement (any such repayment date hereinafter referred to as a "Repayment Date" or "Additional Repayment Date", if applicable) shall be shortened to the extent necessary to end upon such Repayment Date or Additional Repayment Date, as the case may be;

- e) any Interest Period which would otherwise end on a day which is not a Banking Day shall end on the next Banking Day unless the result of such extension would be to carry such Interest Period over into another calendar month, in which event such Interest Period shall end on the preceding Banking Day.

- 5.2 a) Subject to Clause 5.2 d) below, for as long as any principal amounts repayable under this Credit Agreement remain outstanding, the Borrower shall pay to the Lenders through the Facility Agent for each Interest Period on each credit amount outstanding interest at a rate per annum to be the aggregate of (i) a margin of 0.30% p.a. (in words zero point three per cent per annum) (the "Margin") and (ii) the London Interbank Offered Rate ("LIBOR") relating to such Interest Period (rounded upwards - if necessary - to a full month).

LIBOR shall mean, in relation to such Interest Period, the rate per annum determined by the Facility Agent to be equal to the arithmetic mean (rounded upwards, if necessary, to five decimal places) of the London interbank offered rates for deposits of USD for a period equal to such period as are displayed at or about 11.00 a.m. (London time) on the second Banking Day prior to the commencement of such period on the relevant page on the Reuter Monitor Money Rates Services (or such other page as may replace such page on such service for the purpose of displaying London interbank offered rates of leading banks for deposits of USD) or, if on such date the offered rates for the relevant period of fewer banks than two leading banks are so displayed, as quoted to the Facility Agent by each of the Reference Banks at the request of the Facility Agent and calculated on the above mentioned basis. Interest (Margin plus LIBOR), as specified under this Clause 5.2(a) is due from the Borrower exclusively against delivery to the Borrower of the related invoices (originals) and the original (apostilled and with notarised translation into Russian) residency certificate for the Lenders and/or the Facility Agent, depending on the Borrower's request. Each Lender and the Facility Agent hereby undertake prior to issuance of the relevant invoices to the Borrower for the purposes of this Clause 5.2(a) to agree with the Borrower in written correspondence on whether the Russian VAT shall apply to a receipt by, or payment to the Lender (s) and/or the Facility Agent due from the Borrower under this Clause 5.2(a), as may be required under the Russian law.

- b) The Facility Agent shall promptly advise the Borrower in writing by letter or means of telecommunication of the rate of interest determined from time to time as per Clause 5.2.a) hereof and of the amount of interest to be paid at the end of the respective Interest Period, provided that to the extent the interest rate determined by the Facility Agent, as specified in Clause 5.2.b), is reasonable, proven and objective, no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations hereunder
- c) The rate of interest as stipulated in Clause 5.2.a) shall always apply without any further request, communication or whatsoever as far and as long as no rate of interest is applicable in accordance with Clause 5.2.d) hereof.
- d) For all amounts outstanding under this Credit Agreement the Lenders shall, upon the Borrower's request and subject to the Lenders' internal approvals, offer a fixed interest rate (the Lenders using their best efforts to ensure that such rate is commercially reasonable) for the whole remaining amount and lifetime of the Credits provided that:
 - (i) the last disbursement or reimbursement under the Credit Agreement has been effected, in the case of either Credit A or Credit B,
 - (ii) the exact Repayment Dates for the repayment instalments of the Credits stand firm in the case of either Credit A or Credit B,

- (iii) the Borrower's request in the form of Annex 1 f hereto has been received by the Facility Agent at the latest 15 Banking Days prior to the next Repayment Date and,
- (iv) corresponding funds in like amounts and for a duration equivalent to the term of the Credits under this Agreement are available to the Lenders.

Such fixed interest rate takes binding effect for the period starting with the next Repayment Date and ending on the last Repayment Date for the Credits, in the case of either Credit A or Credit B, as may be the case, provided that the Facility Agent has received the Borrower's agreement to the fixed rate offered by the Lenders through the Facility Agent within the validity period of such offer.

- e) Interest on any credit amounts outstanding shall accrue from day to day and be calculated on a per annum basis from the date of each disbursement or reimbursement until the date on which the respective repayment instalment is unconditionally credited on the account specified in or to be indicated by the Facility Agent in accordance with Clause 9.1 hereof. Interest on any credit amounts outstanding shall be paid by the Borrower in arrears on each Interest Payment Date (each "Interest Payment Date" being, (i) in the case of an interest rate applicable as per Clause 5.2 a), the last day of any and each Interest Period; and (ii) in case of a fixed interest rate applicable as per Clause 5.2 d) hereof each Repayment Date).

- 5.3 Subject to Clause 5.5 (Exceptions), if by reason of any change occurring after the date of this Credit Agreement in any law, regulation, treaty or official directive (whether or not having the force of law) or the interpretation or application thereof (including but not limited to any reserve, deposit or similar requirements) and for compliance by the Lenders and/or the Facility Agent with any legally binding requirement of any central bank or other governmental or monetary authority arising after the date of this Credit Agreement any of the Lenders incur any Increased Costs (as defined hereinafter), then, in any such case, the Borrower shall pay to the Facility Agent for account of the Lenders within thirty days of a demand by the Facility Agent such amounts of the Increased Costs as the Lenders through the Facility Agent shall specify to be necessary to compensate the Lenders for such increase or such reduction.

In this Agreement "Increased Costs" means:

- (i) a reduction in the rate of return from the Credits or on a Lender's overall capital;
- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under the Credits,

which is incurred or suffered by a Lender to the extent that it is attributable to that Lender having entered into this Credit Agreement or funding or performing its obligations under it.

- 5.4. A Lender intending to make a claim pursuant to Clause 5.3 (Increased Costs) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower. Each Lender shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs and the circumstances giving rise to the claim.

- 5.5 Clause 5.3 (Increased Costs) does not apply to the extent any Increased Cost is:

- (i) compensated for under another Clause or would have been but for an exception to that Clause;
- (ii) a tax, levy, duty, charge or fee of whatever nature on the overall net income of a Lender or attributable to any deduction or withholding for or on account of any tax,

Levy, duty, charge or fee of whatever nature required by law to be made by the Borrower (provided that nothing in this sub-clause 5.5 (ii) reduces the Borrower's Liability to make any payment on account of any tax, levy, duty, charge or fee required pursuant to Clause 10); or

- (iii) attributable to a Lender being grossly negligent or wilfully failing to comply with any law or regulation or official administration order or court decision.

6. Fees

6.1 From the date of this Credit Agreement until disbursement of Credit A in full, the Borrower shall pay to the Lenders through the Facility Agent a commitment fee at a rate of 0.10% p.a. (in words: zero point one per cent per annum) calculated on a daily basis on such portion of the maximum amount of Credit A not yet disbursed at any time. The commitment fee is payable pro rata in arrears (i) prior to the first disbursement or reimbursement on June 30 and December 30 of each year; and (ii) with effect from the first disbursement or reimbursement on each Interest Payment Date.

6.2 The Borrower will pay to the Lenders (in their capacity as mandated lead arrangers) through the Facility Agent an arrangement fee of 0.20% flat (in words: zero point two per cent flat) calculated on the maximum amount of Credit A mentioned in Clause 2.1 hereof.

The arrangement fee is due prior to the first disbursement or reimbursement under the Credit Agreement, at the latest however, within 30 days after the date of this Credit Agreement.

6.3 From the date of this Credit Agreement until all monies owing by the Borrower are fully repaid to the Lenders, the Borrower shall pay to the Facility Agent an agency fee of USD 10,000 per annum on the date of signature of this Credit Agreement and annually thereafter on the anniversary date of this Credit Agreement.

6.4 Clauses 6.1 and 6.2 shall apply mutatis mutandis in case of Credit B being made available by the Lenders to the Borrower whereas calculation of the additional commitment fee shall start on the date on which the Lenders will have approved the granting of Credit B to the Borrower in writing; the additional arrangement fee shall be paid within 30 days after the date of such approval, at the latest, however, prior to disbursement or reimbursement under Credit B.

7. Calculation of Periods

For the purpose of calculating interest, commitment fee and other payment obligations based on periods of time, a year will be calculated on the basis of the actual number of days elapsed and a year of 360 days.

8. Repayment and Prepayment

8.1 Credit A

The credit amounts disbursed under Credit A are to be repaid in 17 equal and consecutive semi-annual repayment instalments; the first of which will be due on the earlier of (i) the date falling 6 months after the date of the mean-weighted acceptance of equipment and software to be evidenced concurrently to the Borrower and the Lenders (by delivery as specified in Clause 16.1 hereunder) by a certificate in accordance with Annex 3a hereof; and (ii) 30 September 2006. Credit amounts disbursed after the first Repayment Date under Credit A shall be repaid in equal amounts on the remaining Repayment Dates; the repayment instalments which then have not yet become due will be increased accordingly and the Facility Agent shall promptly, upon its drawing up thereof however, at the latest 20 Business Days prior to the next Repayment Date, deliver an updated repayment schedule to the Borrower showing the amounts of repayment instalments due on each subsequent Repayment Date, provided that no failure by the Facility Agent to so advise the

Borrower shall relieve the Borrower from its payment obligations under this Credit Agreement.

Credit B

If applicable, the credit amounts disbursed under Credit B will be repaid in 17 equal and consecutive semi-annual repayment instalments; the first of which will, depending on the respective Hermes approval, either be due on the earlier of (i) the date falling 6 months after the date of the mean-weighted acceptance of equipment and software relating to the deliveries made/services rendered under the Additional Export Contract, to be evidenced by a certificate in accordance with Annex 3b hereof, or (ii) a certain latest date still to be agreed upon prior to the first disbursement under Credit B, subject to Hermes approval, in each such case as advised to the Borrower by the Facility Agent. Credit amounts disbursed after the first Additional Repayment Date under Credit B shall be repaid in equal amounts on the remaining Additional Repayment Dates; the repayment instalments which then have not yet become due will be increased accordingly and the Facility Agent shall promptly, upon its drawing up thereof, however, at the latest 20 Business Days prior to the next Repayment Date, deliver an updated repayment schedule to the Borrower showing the amounts of repayment due on each subsequent Additional Repayment Date, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its payment obligations under this Credit Agreement.

- 8.2 Where the interest rate defined in Clause 5.2 a) applies, the Borrower shall be entitled upon 30 days' prior notice to the Facility Agent to prepay on any Interest Payment Date, in full or in part, any credit amounts outstanding together with interest accrued thereon and any other amounts then due under the Credit Agreement. Any such notice of the Borrower shall be irrevocable and binding and obliges the Borrower to repay the credit amounts in accordance with its notice of prepayment.

In case of partial prepayments, any partial amount repaid may be applied by the Facility Agent in the inverse order of their maturities.

Any amount prepaid in accordance with this Clause 8.2 may not be reborrowed.

- 8.3 Where the interest rate in Clause 5.2 d) applies, prepayment of any amounts not yet due according to this Credit Agreement is not permitted.
- 8.4 Prior to the first Repayment Date the Facility Agent shall furnish the Borrower with a repayment schedule which sets out the Repayment Dates and the amount of repayment instalments to be paid on each such Repayment Date or Additional Repayment Date, if applicable, provided that no failure by the Facility Agent to so advise the Borrower shall relieve the Borrower from its obligations hereunder. In case of the granting of Credit B and if a repayment schedule in relation to Credit A has already been delivered at such time, the Lenders shall furnish the Borrower with a revised repayment schedule or an additional repayment schedule, as the case may be. All other stipulations of the preceding sentence shall apply mutatis mutandis to such revised or additional schedule.

9. Payments

- 9.1 All payments to be made by the Borrower to the Lenders through the Facility Agent under this Credit Agreement shall be made in USD without any deduction not later than 10.00 a.m. London time on the respective due date at the Facility Agent's free disposal to the account of the Facility Agent held with HSBC Bank USA, New York, SWIFT MRMDUS33 account number 000-023868, in favour of HSBC Bank plc London, SWIFT MIDLGB22, account number 36677449 in the name of Project and Export Finance, quoting reference 53M/FC1072 or such other account with such other financial institution as notified by the Facility Agent to the Borrower.
- 9.2 The Borrower shall not be entitled to exercise any right of retention or to set off any counterclaims against claims arising from this Credit Agreement against any Lender unless such counterclaims exist against the Lender that the Borrower exercises the right of retention or set off against, and such counterclaims have been accepted by that Lender in writing or have otherwise been adopted or

consistently relied upon.

- 9.3 If the Facility Agent receives a payment insufficient to discharge all the amounts then due and payable by the Borrower under this Credit Agreement, the Facility Agent on behalf of the Lenders shall, notwithstanding any converse instruction given by the Borrower, apply incoming payments in the following order:
- (i) firstly, in or towards any costs and expenses due and payable hereunder;
 - (ii) secondly, in or towards payment of any fees due and payable hereunder;
 - (iii) thirdly, in or towards payment of any default interest and/ or indemnification then due and payable as provided for in Clauses 9.4 and 9.5;
 - (iv) fourthly, in or towards payment of any contractual interest due and payable hereunder;
 - (v) fifthly, in or towards repayment of any principal amount due and payable hereunder;
 - (vi) sixthly, in or towards payment of any other amount (including any indemnification other than such as under Clause 9.5) due and payable hereunder.
- 9.4 The Lenders through the Facility Agent shall be entitled to demand on repayment instalments overdue default interest at a rate which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time.
- 9.5 The Lenders through the Facility Agent shall be entitled to demand on amounts overdue other than repayment instalments, a lump sum indemnification which is the sum of 2% p.a. (in words: two per cent per annum) and the rate which would have been payable if such overdue amount had, during the period of non payment, constituted a Credit for successive periods of any duration as the Lenders (acting reasonably) through the Facility Agent may determine from time to time.
- 9.6 All payments owed by the Borrower as per Clauses 9.4 and 9.5 shall be made immediately upon the Facility Agent's first demand except when under the applicable Russian currency regulations the Borrower is required to reserve a particular amount of payment at a special account prior to proceeding with a transfer of such amounts to the benefit of the Facility Agent. In the latter case the delay in payment shall not exceed the particular reservation period specified in the Russian currency regulations applicable to the Borrower.
- 9.7 If a due date on which a payment of the Borrower must have been received at the free disposal of the Facility Agent is not a Banking Day, the next succeeding Banking Day shall be the due date, unless such Banking Day falls into a new calendar month in which event the due date shall be the preceding Banking Day. The obligations of the Borrower to pay interest and fees shall accrue accordingly.

10. Taxes, Levies, Duties and Other Costs

10.1 Definitions

- a) In this Credit Agreement

“Protected Party” means a Lender, which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under this Credit Agreement.

“Qualifying Lender” means a Lender, which is situated for tax purposes in (i) the Russian Federation, (ii) in a Tax Treaty Jurisdiction or (iii) in the United Kingdom or the Federal Republic of Germany.

“Tax” means any tax, levy, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Tax Credit” means a credit against, relief or remission for, or repayment of any Tax.

“Tax Deduction” means a deduction or withholding for or on account of Tax from a payment under this Credit Agreement.

“Tax Payment” means an increased payment made by the Borrower to a Lender under Clause 10.2 or a payment under Clause 10.3.

“Tax Treaty Jurisdiction” means a jurisdiction, which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian Federation has succeeded), which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction.

b) Unless a contrary indication appears, in this Clause 10 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

10.2 Tax Gross up

- a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. Upon receipt by the Facility Agent of such notification from a Lender, the Facility Agent shall notify the Borrower.
- c) Subject to paragraph d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower to the Lenders shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- d) The Borrower is not required to make an increased payment to a Lender under paragraph c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to that Lender without a Tax Deduction if that Lender was a Qualifying Lender, but on that date that Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became a Lender under the Credit Agreement in (or in the interpretation, administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).
- e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in such amount as required by law.
- f) The Borrower shall pay to the relevant taxation or other authorities within the period for payment permitted by applicable law the full amount of the deduction or withholding (including but without prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any additional amount paid pursuant to this sub-clause).
- g) Promptly upon making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Facility Agent for a Lender entitled to

the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10.3 Tax Indemnity

- a) The Borrower shall promptly pay to a Protected Party through the Facility Agent an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of this Credit Agreement.
- b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Lender:
 - (A) under the law of the jurisdiction in which that Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Lender is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Lender's facility office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Lender; or
 - (ii) to the extent a loss, liability or cost:
 - (C) is compensated for by an increased payment under Clause 10.2; or
 - (D) would have been compensated for by an increased payment under Clause 10.2 but was not so compensated solely because one of the exclusions in paragraph d) of Clause 10.2 applied.
- c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.
- d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 10.3, notify the Facility Agent.

10.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Lender determines that:

- (a) A Tax Credit is attributable to that Tax Payment; and
- (b) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall (within three Business Days of demand by the Borrower) pay through the Facility Agent an amount to the Borrower which that Lender determines will leave the Lender (after that payment) in the same after-tax position as it would have been in had the Tax Payment not been made by the Borrower.

However, if the relevant Lender should be obliged by any law, regulation or court or any other official decision to repay any Tax Credit obtained by such Lender and paid to the Borrower pursuant to the preceding paragraph, or if any such Tax Credit should otherwise be officially revoked, the Borrower shall promptly upon demand of such Lender and against reasonable

evidence of such repayment obligation or revocation, as the case may be, refund the respective Lender through the Facility Agent of such amount.

- 10.5 Without prejudice to the Borrower's obligations/the Lenders' rights according to Clause 10.2 and 10.3, in the event of withholding taxes being imposed in the Russian Federation on payments due under this Credit Agreement that are eligible for exemption and provided that the Borrower and/or the Lenders can claim such exemption with the result that they are released from any obligation to pay such taxes, the Borrower hereby undertakes to apply with the competent authorities in the Russian Federation to be exempted and released from such taxes and to provide the Facility Agent with a tax exemption certificate or any other evidence of such tax exemption, all in form and substance as reasonably may be required by the Lenders through the Facility Agent. In turn, in order to enjoy the benefits of an applicable convention on avoidance of double taxation each Lender undertakes to submit to the Borrower a certificate of its residence in the form and in the manner required by Russian Law, provided that any expenses incurred by a Lender in doing so shall be borne by the Borrower. The form of the certificate as well as its main items shall be advised by the Borrower to the Facility Agent reasonably in advance.
- 10.6 Without prejudice to the Lenders' rights under this Credit Agreement, in particular under this Clause 10, the Borrower shall pay to, or reimburse the Lenders through the Facility Agent upon demand for (i) any stamp duties, registration fees and similar taxes and charges in connection with this Credit Agreement and (ii) all legal fees (including VAT) and out-of-pocket expenses incurred by the Lenders and/or the Facility Agent in connection with the negotiation, preparation, documentation and execution of this Credit Agreement provided that in relation to Credit A only all such fees and expenses shall not exceed USD 15,000.00 (plus VAT and disbursements, plus costs for required translation of any of the finance documents related to this Credit Agreement into the Russian language) and (iii) any costs, including lawyer's fees and taxes arising thereon, in connection with the preservation and enforcement of the Lenders' rights under this Credit Agreement.
- 10.7 Each Lender and the Facility Agent hereby undertake prior to issuance of any invoices to the Borrower to discuss the invoicing procedure with the Borrower in written correspondence and further undertake to provide the Borrower upon its request as soon reasonably practicable with the original invoices and an original (updated) residency certificate (apostilled and together with a translation into Russian).

11. Guarantee of the Federal Republic of Germany for tied Buyer's Credits

- 11.1 The Hermes Agent on behalf of the Lenders has applied for insurance cover of 95% of the Lenders' claims arising from this Credit Agreement by the Federal Republic of Germany, represented by Hermes by means of an insurance agreement (the "Insurance Agreement"). Credit A will be made available on the basis of such Insurance Agreement and the terms and conditions governing it. In the event that additional insurance cover is provided by Hermes for the purposes of financing being made available for Credit B hereunder, then Credit B will be made available on the basis of such supplemental insurance ("Supplemental Insurance Agreement") and the terms and conditions governing it.

The Lenders are entitled to give information on the Credit Agreement and the transactions contemplated thereby to the competent authorities of the Federal Republic of Germany and the European Union and to allow such authorities perusal of all records that may be connected with this Credit Agreement and to furnish them with copies thereof.

- 11.2 The Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the aggregate amount of premiums and charges (the "Insurance Premium") payable by the Lenders through the Facility Agent to Hermes under the Insurance Agreement for insurance cover of their payment claims arising from Credit A of this Credit Agreement.

The Insurance Premium shall be paid by the Borrower immediately upon written demand by the Facility Agent in accordance with Annex 1c or Annex 1e, as the case may be, provided that the

insurance premium is payable (and is either already due or will become due shortly) by the Lenders to Hermes under the Insurance Agreement.

- 11.3 In the event that additional financing in the form of Credit B is made available to the Borrower, the Borrower undertakes to reimburse and indemnify the Lenders through the Facility Agent in full for and against the additional amount of premiums and charges (the "Additional Insurance Premium") payable by the Lenders through the Facility Agent to Hermes under the Supplemental Insurance Agreement for additional insurance cover of their payment claims arising from Credit B of this Credit Agreement. The second paragraph of Clause 11.2 shall apply mutatis mutandis hereto.
- 11.4 Prior to the first Repayment Date under this Credit Agreement or - in case of disbursements or reimbursements after such date - upon disbursement in full of the Credits, the Facility Agent will procure the recalculation by Hermes of the amount of Insurance Premium (or as applicable, the amount of Additional Insurance Premium) payable to Hermes and will provide the Borrower with reasonable evidence of the correctness of such recalculation if the Insurance Premium (or as applicable, the Additional Insurance Premium) payable for cover with respect to this Credit Agreement does not equal the aggregate amounts which the Borrower has paid to the Facility Agent as per Clause 11.2 or, as the case may be, Clause 11.3 hereof towards reimbursement of such Insurance Premium (or as applicable the Additional Insurance Premium).

If the aggregate amount reimbursed by the Borrower is more than the respective Insurance Premium (or if applicable, the Additional Insurance Premium), on the Interest Payment Date following the date on which the Lenders have received the excess amount from Hermes the Lenders through the Facility Agent will refund the excess amount to the Borrower. Payment of the excess amount to the Borrower as per the preceding sentence shall be made by the Lenders through the Facility Agent by application of the amounts thus to be refunded to the Borrower towards partial prepayment of the Credit disbursed and then still outstanding under this Credit Agreement. In order to achieve the purpose laid down in this paragraph on the due date thereof the excess amount to be paid to the Borrower shall - at the option of the Lenders either equally and proportionally or in the inverse order of maturities - be set off by the Lenders against repayment installments then still outstanding under this Credit Agreement without any prior notice by the Lenders to the Borrower with regard thereto. The Lenders through the Facility Agent will inform the Borrower without delay of any such set-off.

If the aggregate amount paid by the Borrower towards reimbursement against the respective Insurance Premium (or if applicable, the Additional Insurance Premium) was less than the Insurance Premium (or if applicable, the Additional Insurance Premium) payable by the Lenders, the Borrower undertakes upon request of the Facility Agent within 30 calendar days to pay to the Facility Agent the balance in favor of the Lenders.

12. Suspension of Disbursement, Payments Immediately Due (Events of Default)

- 12.1 The Lenders acting through the Facility Agent shall be entitled to suspend each and/or any future disbursement of the Credits in whole or in part, and/or to terminate this Credit Agreement, and/or to demand immediate repayment of all credit amounts outstanding, as well as the payment of all interest and fees accrued thereon, any charges and other claims incidental thereto, if:
- a) the Borrower fails to fulfil any payment obligation whether in respect of principal, interest or any other amount under this Credit Agreement when due and payable unless
 - (i) its failure to pay is caused by administrative or technical error; and
 - (ii) payment is made within three Banking Days of the due date;
 - or
 - b) the Borrower breaches or fails to fulfil any other obligation under this Credit Agreement and in case of any such breach or failure capable of being remedied, such failure or breach is not

remedied within 10 Banking Days after the Facility Agent has notified the Borrower in writing of such failure or breach;

or

- c) any representation, warranty or statement in this Credit Agreement or any other document provided by the Borrower under the terms of this Credit Agreement is or proves to be or to have been incorrect or untrue in any material respect at any time during the term of this Credit Agreement and in case that such incorrectness is capable of being remedied - whereas the determination of such capability shall be upon the sole but reasonable discretion of the Lenders - such incorrectness is not cured within 15 Banking Days after the Facility Agent has notified the Borrower in writing of such incorrectness;

or

- d) the Borrower shall fail to pay when due or within any applicable period of grace any indebtedness owed to any of the Lenders or to any other creditor, provided, however, that in relation to any such indebtedness owed by the Borrower to any creditor other than any of the Lenders (including any of their Affiliates) such failure by the Borrower shall not constitute an event of default under this sub-clause if (i) the overdue amounts in relation to the Borrower in aggregate do not exceed USD 10,000,000.00 or the equivalent thereof in any other currency, or (ii) in the event of any such failure by the Borrower exceeding the aforementioned amount any such default is remedied (including by waiver or amendment) within 15 calendar days after the due date of the respective payment obligation or after lapse of any applicable period of grace unless the respective creditor accelerates the relevant indebtedness before;

or

- e) at any time it shall become unlawful for the Borrower (provided that such event, if capable of being cured in the reasonable opinion of the Lenders, is not cured within 30 Business Days from the date it became unlawful) to perform any or all of its obligations under this Credit Agreement (including, without limitation, any governmental or other consent, licence or authorisation required to make this Credit Agreement legal, valid, binding and enforceable, or required at any time to enable the Borrower to perform its obligations under this Credit Agreement, ceasing to be in full force and effect);

or

- f) any material provision of this Credit Agreement is or becomes invalid or unenforceable;

or

- g) the Borrower shall enter into voluntary suspension of payments, bankruptcy, liquidation or dissolution, or shall become insolvent, or a receiver or liquidator shall be appointed on all or any material part of the undertaking or assets of the Borrower or proceedings are commenced by or against the Borrower under any law or regulation providing for any reorganisation, arrangement, readjustment of debts, dissolution or liquidation or any act shall be done or event shall occur which under the laws of the relevant jurisdiction has a substantially similar effect to any of the foregoing act or event, provided that an event of default will not occur under this sub-clause g) in respect of any petition or application being initiated or commenced by any person other than the Borrower if the petition or application is - in the sole discretion of the Lenders - frivolous or vexatious and is withdrawn or rejected within 30 calendar days from the date of such application and before a court order for the commencement of any such procedure has been made;

or

- h) the Borrower admits its inability to meet its payment obligations to any of the Lenders or to

any other creditor or to convert the funds necessary to effect such payments into the currency payable under agreements with parties domiciled outside of its country or to transfer such payments, or the Borrower admits - towards any of the Lenders - its unwillingness with regard to any of the aforementioned actions;

or

- i) any material adverse change shall occur in the financial condition or operations, assets, prospects, business or the legal status of the Borrower such that it is reasonably likely that the Borrower may not, or will be unable to perform or observe its obligations under this Credit Agreement,

provided, however, that in case of the occurrence of any of the events as stipulated in sub-clauses a), b), c) and d) of this Clause 12.1, for so long as such events are continuing the Lenders through the Facility Agent shall be entitled to suspend disbursements / reimbursements under this Credit Agreement prior to the expiry of the grace period for remedy of the relevant events of default.

12.2 Insofar as any statements made by the Facility Agent according to Clause 12.1 are sent by airmail (with a copy by fax), these statements shall be deemed to have been received not later than on the 10th Banking Day after their dispatch. If such statements are made by means of telecommunication, the day following their dispatch shall be deemed as the date of receipt.

13. Representations and Warranties

The Borrower hereby represents and warrants to the Lenders that

- a) the Borrower is a corporation duly incorporated under the laws of the Russian Federation, validly existing and in good standing;
- b) the Borrower has the power to own its assets and carry on its business as it is being conducted;
- c) the Borrower is not entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in the Russian Federation in relation to this Credit Agreement;
- d) the Borrower has full power and legal right to execute, deliver and to perform this Credit Agreement;
- e) the execution, delivery and performance of this Credit Agreement will not violate any provisions of, and have duly and validly been authorised under, the laws, regulations, orders and decrees of the Russian Federation or any other competent Russian authority and all consents, licences, approvals, authorisations and instrumentalities of, and registrations and/or declarations with any authority within the Russian Federation required in connection with the valid execution, delivery, performance or enforceability of this Credit Agreement (including without limitation the obtaining and transfer in USD of all amounts due under this Credit Agreement) have been obtained and made and are in full force and effect;
- f) each action necessary under the statutes of the Borrower or under any other agreement or instrument binding on the Borrower to authorise the execution, delivery and/or performance of this Credit Agreement has been duly taken and the execution, delivery and performance of this Credit Agreement will not conflict with, or constitute a breach of the statutes of the Borrower or any such agreement or instrument binding upon the Borrower;
- g) the Borrower is not in default under any agreement or instrument constituting present or future payment obligations as debtor, surety or guarantor;

- h) other than the UMC Litigation no litigation, administration or insolvency proceedings are pending or, to the knowledge of the Borrower are threatened, which adversely determined, would reasonably be expected to have a material adverse effect on the assets or financial condition of the Borrower or on its right or ability to perform its obligations hereunder or would affect the legality, validity or enforceability of this Credit Agreement; and
- i) all its payment obligations in connection with this Credit Agreement rank at least pari passu in point of preference and security with all other unsecured and unsubordinated existing and future indebtedness owed to any creditor other than the Lenders, except for any preference being due to mandatory law.

14. Financial Statements, Information and Undertakings (Covenants)

Until such date as all obligations incurred under this Credit Agreement have been fulfilled in full, the Borrower shall:

- a) furnish the Facility Agent within 6 months from the end of its financial year with audited annual financial statements (including profit and loss accounts and explanatory notes) prepared in accordance with US GAAP (US Generally Accepted Accounting Principles, Standards and Practices) and provide the Facility Agent with such additional financial information as the Facility Agent may from time to time reasonably request. In the event that completion and adoption of the financial statements should be delayed, the Borrower shall furnish the Facility Agent with provisional profit and loss accounts and balance sheet figures within 6 months after the end of its financial year;
- b) inform the Facility Agent without delay of the occurrence of any of the events mentioned in Clause 12 hereof and in the event any of the Representations and Warranties mentioned in Clause 13 hereof ceases to be true or correct in any material respect;
- c) only with the prior written consent of the Lenders agree upon any modification and/or amendment to the Export Contract or, as the case may be, the Additional Export Contract, which represents a material change to the Export Contract or Additional Export Contract, including but not limited to changes in the price/currency, terms of payment, country of origin, delivery and/or installation periods etc.;
- d) obtain and keep in full force all authorisations, licenses, approvals and permits (governmental or otherwise) which are required for the validity and enforceability of this Credit Agreement;
- e) comply with all applicable laws, rules, regulations and orders including all environmental laws and all applicable restrictions imposed by all governmental authorities (including but not limited to the central bank of the Russian Federation) and do all such acts and things which are required thereunder, if failure so to comply will or in the reasonable opinion of the Lenders may, materially impair the ability of the Borrower to perform its obligations, whether in respect of any payment of principal, interest, fees, costs or expenses or otherwise, under this Credit Agreement in strict compliance with its terms;
- f) procure that no substantial change is made to the general nature or scope of its business from that carried out on the date of this Credit Agreement and forthwith inform the Facility Agent of any circumstances which might result in such change provided that the Borrower may amalgamate, merge, demerge or consolidate with any Affiliate as part of any corporate restructuring unless any such action would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;

- g) immediately upon the Borrower's knowledge or awareness thereof inform the Facility Agent of any forthcoming amalgamation, demerger, merger, consolidation or corporate reconstruction of the Borrower;
- h) ensure that neither in a single transaction nor in a series of transactions, whether related or not, all or any substantial part of its assets are sold, transferred, granted or leased or otherwise disposed of unless such sale, transfer, grant, lease or disposal is:
 - (i) made in the ordinary course of trading of the disposing entity;
 - (ii) of assets in the exchange for other assets comparable or superior as to type, value and quality;
 - (iii) made by the Borrower to any Affiliate of the Borrower unless any such transaction would result in a material adverse change which falls within the scope of application of Clause 12.1.i) hereof;
 - (iv) for cash or cash equivalents;
 - (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with US GAAP) does not exceed 25% of the Borrower's Total Assets in any financial year of the Borrower and provided that at all times the disposal of such assets will be made for full consideration and will not lead to any material adverse change which would fall within the scope of Clause 12.1 i). At the request of the Facility Agent (any such request to be made no more than once per calendar quarter, unless an Event of Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with US GAAP); or
 - (vi) involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not the Borrower or any of its Subsidiaries.

When calculating the Borrower's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available, the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Facility Agent.

- i) do all such things as are necessary to maintain its corporate existence and ensure that it has the right and is duly qualified to conduct its business;
- j) not create or agree to create any mortgage, charge, pledge, lien or other security interest on the whole or any part of its assets to secure any indebtedness owed to any creditor other than the Lenders (for the avoidance of doubt, any suretyship or guarantee shall not be deemed a security for the purposes of this paragraph), unless the Credits shall at the same time be secured equally and rateably therewith to the Lenders' satisfaction other than any Permitted Lien (as defined hereinafter)

"Permitted Lien" means:

- (i) any lien on any property or assets of any person existing at the time such person is merged or consolidated with or into the Borrower and not created in contemplation of such event;
- (ii) any lien existing on any property or assets prior to the acquisition thereof by the Borrower and not created in contemplation of such acquisition;

- (iii) any lien on any property or assets securing indebtedness of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring or constructing or refurbishing any property or assets, provided that the aggregate principal amount of all indebtedness secured by liens under this sub-Clause (iii) shall not exceed the lower of (x) the purchase price of such property or assets and (y) the fair market value of such property or assets at the time of acquisition, or construction or refurbishment;
- (iv) any netting or set-off arrangement entered into in the ordinary course of the Borrower's banking arrangements for the purpose of netting debit and credit balances;
- (v) any lien arising by operation of law either (a) in the ordinary course of business; or (b) in respect of taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (vi) any lien on the property or assets of the Borrower securing inter-company indebtedness;
- (vii) any extension, renewal or replacement of any lien described in sub-Clauses (i) to (vi) above, provided that (a) such extension, renewal or replacement shall be no more restrictive in any material respect than the original lien, (b) the amount of indebtedness secured by such lien is not increased and (c) if the property, income or assets securing the indebtedness subject to such lien are changed in connection with such refinancing, extension or replacement, the fair market value of the property, income or assets is not increased;
- (viii) any other lien, pledge, mortgage or other type of encumbrance, provided that immediately after giving effect to such lien, pledge, mortgage or other type of encumbrance the Borrower's secured indebtedness in the aggregate do not exceed 10% of the book value of the aggregate amount of the Borrower's total assets, determined by reference to its most recent quarterly or, as the case may be, audited annual unconsolidated balance sheet;
- (ix) easements, rights-of-way, and any other similar charges and legally binding restrictions or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Borrower or the Business of any Subsidiary of the Borrower, including any encumbrance with respect to an equity interest of any joint venture agreement;
- k) ensure that its payment obligations under this Credit Agreement rank at least pari passu with all its other present and future unsecured payment obligations.

15. Assignability

15.1 The Borrower may not assign all or any of its rights and claims under this Credit Agreement.

15.2 Unless (i) the assignment is to an Affiliate of a Lender or to another Lender or (ii) an Event of Default has occurred, any assignment occurring after the date of this Credit Agreement by any Lender shall require the consent of the Borrower, provided that (x) such consent shall not be unreasonably withheld or delayed; and (y) unless the Borrower has notified the Facility Agent to the contrary within 5 Banking Days of receiving notice of the intended assignment, the Borrower will be deemed to have given consent to that assignment.

15.3 Any Lender may also disclose to any person to whom it assigns or intends to assign its rights and obligations hereunder such information about the Borrower and the Credit Agreement, as such Lender shall consider necessary.

16. Statements and Notices

-

16.1 Any notices or other communications in connection with this Credit Agreement are to be made by letter or by written means of telecommunication, and to be sent to the following addresses:

Borrower: OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Telefax:
+ 7 095 223-2183
Attention of Mr. Nikolay V. Tsekhomsky
Vice President — Chief Financial Officer
+ 7 095 223-2168
Attention of Ms. Marina V. Zabolotneva
Head of the Treasury Department

Facility Agent:
(for and on behalf of
the Lenders) HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

Telefax:+44 207 992 4428 (Attention of: Mr Alan Marshall)

16.2 The Borrower shall provide the Facility Agent with specimen signatures in form and substance as per Annex 4 of those persons who are authorised to act on its behalf.

16.3 Any alteration in the above-mentioned companies' names, addresses and power of representation shall be binding upon the other contracting party only upon receipt by such other party of written notification or documents evidencing such alteration.

16.4 All correspondence between the parties hereto shall be conducted and carried out in the English language. Should the wording of any document be in a language other than English such document shall be accompanied by a translation certified to be true and accurate that is either authorised by the person who produced it or by a sworn translator.

17. Miscellaneous

17.1 This Credit Agreement is independent from the Export Contract and, as the case may be, the Additional Export Contract. Neither the Borrower nor the Lenders are allowed to raise and hereby each waives any defences or objections emanating from the Export Contract and, if appropriate the Additional Export Contract, and from its legal relationship with the Exporter. In particular, the Borrower's obligation to repay the Credits as well as all other payment obligations under this Credit Agreement as well as the Lenders' obligations to disburse the financing hereunder are independent from the legality, validity and enforceability of the Export Contract and, as the case may be, the Additional Export Contract or from any non-performance, bad performance and/or default by the Exporter under the Export Contract and, as the case may be, the Additional Export Contract.

17.2 In satisfaction of the Lenders' respective obligations under the Money Laundering Act, to record

the economical beneficiary of borrowing hereunder, the Borrower hereby confirms that the borrowing of the Credits is made on its own behalf and for its own account.

18. Currency Indemnity

In the event that for the purpose of obtaining judgement in any court of any country or enforcement of any judgement by the Lenders it becomes necessary to convert an amount of the currency due hereunder (the "Agreed Currency"), into an amount of another currency (the "Judgement Currency"), then the amount due hereunder, expressed in the Judgement Currency, shall be determined on the basis of the rate of exchange at which the Facility Agent for account of the Lenders is able to purchase the relevant amount of the Judgement Currency on the Banking Day immediately before the day on which the judgement is given or on such earlier date as may be required by the procedural law of the court in which the judgement is sought (the "Agreed Conversion Date").

In the event of a change in such rate of exchange between the Agreed Conversion Date and the date of actual payment, the Borrower shall pay such additional amounts of the Judgement Currency (or the Lenders through the Facility Agent shall remit to the Borrower amounts of such currency) as may be appropriate to ensure that the amounts of the Judgement Currency paid by the Borrower, when converted at the rate of exchange as defined above prevailing at the date of actual payment, shall produce in total the amount of the Agreed Currency due hereunder together with any premium or costs of exchange payable in connection with the purchase or conversion into the Agreed Currency.

Any such additional amounts due shall be due as a separate debt and shall not be affected by a judgement being obtained for any other sums due under or in respect of this Credit Agreement.

19. Applicable Law, Place of Performance and Jurisdiction

19.1 This Credit Agreement, as well as all the rights and obligations arising therefrom, shall be governed by and construed in accordance with the laws of the Federal Republic of Germany.

19.2 Save as otherwise stipulated herein, place of performance is Frankfurt am Main, Federal Republic of Germany.

19.3 Any legal action or proceeding with regard to this Credit Agreement shall be brought in the District Court (Landgericht) at Frankfurt am Main, Federal Republic of Germany, the Lenders reserving to themselves the right to bring any such legal action or proceeding in any other court of law having or accepting jurisdiction as the Lenders may elect. Without prejudice to and notwithstanding the above, the parties agree that subject to the option in favour of the Lenders, any dispute, controversy or claim arising out of this Credit Agreement or related to its fulfilment, breach, termination, or invalidity shall be settled by three arbitrators under the arbitration rules of the UNCITRAL (United Nations Commission on International Trade Law) Model Law on International Commercial Arbitration. The arbitrators shall be appointed in accordance with those rules and be qualified to practise as a judge in the Federal Republic of Germany. Place of arbitration shall be at Frankfurt am Main, Federal Republic of Germany. The parties herewith irrevocably express their consent to have the hearing conducted in the English language.

19.4 For any service which may become necessary in connection with proceedings before the courts at Frankfurt/Main, Federal Republic of Germany, the Borrower hereby undertakes to irrevocably designate, appoint and empower, such appointment to be in form and substance as per Annex 5 to this Credit Agreement, Smeets, Haas, Wolff, Partnerschaft von Rechtsanwälten, Eschersheimer Landstraße 121, D-60322 Frankfurt am Main, Federal Republic of Germany, as its agent for service of process (the "Agent for Service of Process") authorised to receive, for and on behalf of itself, service of process.

In the event that the legal capacity of the Agent for Service of Process to act as provided in this Clause 19.4 should cease for any reason whatsoever, the Borrower hereby undertakes in consultation with the Facility Agent to forthwith (but in no event later than 10 Banking Days) designate, appoint and empower another person who is acceptable to the Lenders to act as the Borrower's Agent for Service of Process. Failing this, the Facility Agent may appoint another Agent for the Service of Process for this purpose.

20. General Provisions

- 20.1 This Credit Agreement shall not be capable of being waived, modified or varied otherwise than by an express waiver, modification or variation in writing. Any delay or failure on the part of the Lenders and/or the Facility Agent in exercising any of their rights under this Credit Agreement shall not be regarded as a waiver of these rights or as acquiescence in any conduct contravening the terms of this Credit Agreement. Exercise of single rights only, or merely partial exercise of any rights shall not preclude the claiming in the future of any rights not yet or only partially exercised.
- 20.2 In the event of any provisions laid down in this Credit Agreement being or becoming wholly or partially ineffective in law, the other provisions of this Credit Agreement shall remain in force. Any insufficiency thus created shall be filled by a corresponding provision consistent with the spirit and purpose of this Credit Agreement.
- 20.3 This Agreement shall be executed in the English language.

OJSC Mobile TeleSystems

Moscow, _____
(place, date) STAMP

(legally binding signature(s))

HSBC Bank plc. as the Lender

London, _____
(place, date)

(legally binding signature(s))

HSBC Bank plc. as the Facility Agent

ING Bank Deutschland AG

Frankfurt am Main, _____
(place, date)

(legally binding signature(s))

Commerzbank Aktiengesellschaft

Frankfurt am Main, _____
(place, date)

(legally binding signature(s))

BHF-BANK Aktiengesellschaft as the Hermes Agent

Frankfurt am Main, _____
(place, date)

(legally binding signature(s))

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Certificate for Reimbursement

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

We hereby confirm to you that we have paid to the Exporter an amount of USD _____ representing the last 85% of the total value of deliveries made/services rendered* by the Exporter under the Export Contract / Additional Export Contract* during the period from _____(date) to _____(date).

According to Clause 3.2.a) of the Credit Agreement, the amount of USD _____ is thus to be paid to us to our account no. _____ with _____

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

We, the undersigned, herewith confirm having made/rendered* the above captioned deliveries/services* and having received the above-mentioned amount(s). We also confirm having received the 15% down payment associated with the above captioned deliveries/services*.

(place)(date)

Siemens Aktiengesellschaft

(legally binding signature(s) of the Exporter)

** Please delete as appropriate*

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Certificate for Disbursement

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

We hereby confirm to you that during the period from _____(date) to _____(date) we have made deliveries/rendered services* of _____ under the Export Contract / Additional Export Contract* in the total value of USD _____ and we have presented to you documents in conformity with Clause 3.2.b) of the Credit Agreement.

At present, the amount due to us under the Export Contract / Additional Export Contract* on the basis of the aforementioned deliveries/services amounts to 85% of the deliveries/services.

We confirm having received the 15% down payment associated with the aforementioned deliveries/services*.

According to Clause 3.2.b) of the Credit Agreement, the amount of USD _____ is thus to be paid to us. Please effect payment to us to our account no. _____ with _____ .

(place) (date)

Siemens Aktiengesellschaft

(legally binding signature(s) of the Exporter)

* *Please delete as appropriate*

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Certificate for Disbursement
for the Insurance Premium

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

Dear Sirs,

As per the attached copy of the invoice of Hermes dated _____ the Insurance Premium / Additional Insurance Premium* in the amount of USD _____ was/will become due and payable to Hermes on _____. According to Clause 11.2 / 11.3* of the Credit Agreement, the amount of USD _____ is payable to us/ In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2 / 11.3* please pay to us the Insurance Premium / Additional Insurance Premium* calculated by the Facility Agent to amount to USD _____ which will become due and payable to Hermes shortly*.

Please remit the aforementioned amount to SWIFT MRMDUS33, account number 000-023868 held with HSBC Bank USA, New York, in favour of HSBC Bank plc, London, SWIFT MIDLGB22 account number 36677449 in the name of Project and Export Finance quoting ref 53M/FC1072. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

London, _____

HSBC Bank plc

*** Please delete as appropriate**

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Certificate for Reimbursement
in case of application of the Special Payment Procedure

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

We hereby confirm to you that the Exporter made deliveries/rendered services* under the Export Contract / Additional Export Contract* during the period from _____(date) to _____(date) in the total amount of USD _____ and that we have instructed the Passport Bank to effect payment of USD _____ to the Exporter representing the last 85% of the total value of such deliveries made/services rendered*.

According to Clause 3.2.a) of the Credit Agreement, the amount of USD _____ is thus to be paid to us to our account no. _____ with the Passport Bank.

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

** Please delete as appropriate*

To
OJSC Mobile TeleSystems
4 Marksistskaya Street
Moscow 109147
Russian Federation

Certificate for Disbursement for the Insurance Premium
in case of application of the Special Payment Procedure

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

Dear Sirs,

As per the attached copy of the invoice of Hermes dated _____ the Insurance Premium in the amount of USD _____ was/will become due and payable to Hermes on _____ .

According to Clause 11.2 of the Credit Agreement, the amount of USD _____ is payable to us/In order to achieve fulfilment of the condition precedent as per Article 4.2.b) and your obligations as per Article 11.2 please pay to us, through the Passport Bank, the Insurance Premium calculated by the Facility Agent to amount to USD _____ which will become due and payable to Hermes shortly*.

Please instruct the Passport Bank to remit the aforementioned amount to us in accordance with the terms and conditions of the certain disbursement agreement entered into between you, us and the Passport Bank, and which provides for the Special Payment Procedure. Reimbursement to you will be made pursuant to Clause 3.4 of the Credit Agreement.

London, _____

HSBC Bank plc

** Please delete as appropriate*

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Request for a fixed interest rate

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

We refer to Clause 5.2 (d) of the Credit Agreement. We hereby request the Lenders to offer us a fixed interest rate for all amounts outstanding under the Credit Agreement and for the remaining amount and lifetime of the Credits.

We confirm that the Representations and Warranties mentioned under Clause 13 of the Credit Agreement are true and correct in all material respect as of the date hereof.

(place)(date)

OJSC Mobile TeleSystems

(legally binding signature(s) of the Borrower)

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Confirmation of Coming into Force of the Export Contract* / Additional Export Contract*

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

We hereby confirm to you that the Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Siemens Aktiengesellschaft dated 17 December 2004 for USD 166,381,200 has come into force on _____. * / We hereby confirm to you that the Additional Export Contract between OJSC Mobile TeleSystems in the Russian Federation and Siemens Aktiengesellschaft dated [_____] for USD [_____] has come into force on _____. *

(place) (date)

Siemens Aktiengesellschaft

(place) (date)

OJSC Mobile TeleSystems
in the Russian Federation

(legally binding signature(s) of the Exporter)

(legally binding signature(s) of the Borrower)

**** Please delete as appropriate***

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Confirmation of Mean-weighted Acceptance of Equipment and Software
in relation to the Export Contract

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

We hereby confirm to you that in respect of the Export Contract as mentioned in the Preamble of the above-mentioned Credit Agreement the mean-weighted acceptance of equipment and software and for operation in relation to the several operation units (starting point) took place on _____ .

(place)

(date)

(legally binding signature(s) of the Exporter)

** Please delete as appropriate*

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Confirmation of Mean-weighted Acceptance of Equipment and Software
in relation to the Additional Export Contract

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

We hereby confirm to you that in respect of the Additional Export Contract as mentioned in the Preamble of the above-mentioned Credit Agreement the mean-weighted acceptance of equipment and software in relation to the additional operation units (starting point) took place on _____ .

(place)

(date)

(legally binding signature(s) of the Exporter)

** Please delete as appropriate*

HSBC Bank plc
Level 17, Project and Export Finance
8 Canada Square
London E14 5HQ
United Kingdom

For the attention of: Mr Alan Marshall

Specimen Signature List

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 [as increased by USD 28,321,000*](the “Credit Agreement”)

Dear Sirs,

Pursuant to the provisions of the above Credit Agreement we are required to provide you with certified specimen signatures of those persons authorised to act on our behalf in connection with the said Credit Agreement.

Accordingly, we herewith confirm to you that the persons listed hereafter are authorised to act on our behalf in connection with the said Credit Agreement.

A. Persons (if any) authorised to sign singly:

Person	First Name	Surname	Position	Date of Birth	Place of Birth	Nationality
1						
2						
3						

Person	Address	Sort and Number of Identity Card	Identity Card Issuing Authority	Specimen Signature
1				
2				
3				

B. Persons authorised to sign jointly with any person from Group A or B:

Person	First Name	Surname	Position	Date of Birth	Place of Birth	Nationality
1						
2						
3						

Person	Address	Sort and Number of Identity Card	Identity Card Issuing Authority	Specimen Signature
1				
2				
3				

I, _____ (please specify title), hereby certify that the specimen signatures listed above are the authentic signatures of persons authorised to act on the Borrower's behalf in connection with the Credit Agreement in the amount of USD

_____ (place)

_____ (date)

_____ (legally binding signature of _____)

I/We, _____(OOO HSBC Bank (RR), Moscow), hereby certify the authenticity of the above signature of
_____.

_____ (OOO HSBC Bank (RR), Moscow)
(place) (date)

(legally binding signature(s), with name(s) and position(s))

** Please delete as appropriate*

[on the letterhead of the Borrower]

Smeets, Haas, Wolff
Partnerschaft von Rechtsanwälten
Eschersheimer Landstraße 121
D-60322 Frankfurt am Main
Federal Republic of Germany

Credit Agreement dated October 18th, 2005 in the amount of USD 125,725,500 (the “Credit Agreement”)

Dear Sirs,

On October 18th, 2005 OJSC Mobile TeleSystems , 4 Marksistskaya Street, Moscow 109147 Russian Federation entered into a Credit Agreement with HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and ING Bank Deutschland AG, Hahnstrasse 49, 60606 Frankfurt am Main, Germany, Commerzbank Aktiengesellschaft, Munich branch, Postbox, D-80791, Munich, Germany, BHF-BANK Aktiengesellschaft, Bockenheimer Landstraße 10, Frankfurt am Main, Federal Republic of Germany. The provisions of the Credit Agreement provide for that we shall appoint an agent of process for the purpose of accepting service of process in the Federal Republic of Germany. We hereby appoint you as our authorised agent of process for that purpose, limited solely to service of process in connection with actions, which might arise under the Credit Agreement. We hereby irrevocably authorise you to accept all services of process in connection with those actions in our name and to receive all correspondence, documents and declarations related thereto until October 1st, 2015 (“Termination Date”). You have agreed to a compensation of €5,000.00 (Euro five thousand) plus VAT, if any, for the period until the Termination Date.

Upon receipt of any process served on you or of any correspondence, document and declaration related thereto, you are hereby instructed to notify us at the above mentioned address unless we notify you in writing of another address. If it is deemed necessary by you to do so in the best of our interest, you are hereby authorised to notify us in your discretion by telex, telefax or telephone of the contents of the process served on you and of correspondence, documents or declarations received by you. Once each such notice has made, you have fulfilled your obligations under this agreement.

Your liability as our authorised agent of process will be restricted to cases of wilful misconduct and gross negligence. The relationship between you and our company is governed by the laws of the Federal Republic of Germany. Your liability as our authorised agent of process is limited to €1,000,000.00 (Euro one million) except for cases of wilful misconduct and gross negligence. Sec. 254 German Civil Code applies.

Exclusive place of jurisdiction shall be Frankfurt am Main, Federal Republic of Germany.

Yours sincerely,

(legally binding signature(s) of the Borrower)

Accepted:

Smeets, Haas, Wolff

(legally binding signature(s))

DOC 23 Header

DATED 15 FEBRUARY 2005

\$90,000,000

LOAN AGREEMENT

for

OPEN JOINT STOCK COMPANY MOBILE TELESYSTEMS

with

BARCLAYS BANK PLC

as Banker

and

HER BRITANNIC MAJESTY'S SECRETARY OF STATE
(acting by the **EXPORT CREDITS GUARANTEE DEPARTMENT**)

as ECGD

Index of Clauses and Appendices

<u>Clause</u>	<u>Heading</u>	<u>Page Number</u>
1	DEFINITIONS	2
2	THE BANKER	19
3	PURPOSE AND LIMITS OF FINANCE	20
4	REPAYMENT OF LOAN AND PAYMENT OF INTEREST	21
5	CONDITIONS PRECEDENT TO ADVANCES	26
6	CONTRACTS ELIGIBLE FOR FINANCING	30
7	APPROVAL PROCEDURE	31
8	REMIBURSEMENT CLAIMS	32
9	ADVANCES AND REIMBURSEMENT PROCEDURES	32
10	AMOUNTS DUE TO BE PAID TO THE BORROWER	34
11	DEFAULT	35
12	UNDERTAKINGS COVENANTS AND REPRESENTATIONS BY THE BORROWER	40
13	THE FUNDING AND BENEFIT OF THE AGREEMENT	49
14	TAXES	51
15	INCREASED COSTS	53
16	EXPENSES	55
17	COMMISSIONS	56
18	FINANCE CHARGE	56
19	SUMS ON DEPOSIT	57
20	LAW	58
21	ARBITRATION	58
22	JURISDICTION	59
23	ALTERATION TO APPROVED CONTRACTS	60
24	NOTICES AND DEMANDS	61
25	MISCELLANEOUS	63
Appendices		
A	Application for Approval	65
B	Approval in Principle	68
C	Notice of Approval	70
D	Letter of Instruction	72
E(1)	Reimbursement Certificate (Eligible Goods and/or Eligible Services)	73
E(2)	Reimbursement Certificate (ECGD Finance Charge/Additional Finance Charge)	74
F	Specimen Supplier's Receipt	76
G	Mandatory Cost Formula	78
H	ECGD Finance Charge/Additional Finance Charge Receipt	80

herein mentioned and the Banker has agreed to act as ECGD's agent hereunder in accordance with Clause 2 hereof

NOW THEREFORE it is agreed as follows:

1 DEFINITIONS

1.1 In this Agreement and the Appendices hereto unless the context otherwise requires

- “Additional Facility” means the additional uncommitted facility of up to \$64,346,537.32 (to the extent not cancelled or reduced in accordance with the terms of this Agreement)
- “Additional Finance Charge” means the finance charge payable to ECGD in respect of an Approved Contract presented for financing under the Additional Facility
- “Advance” means a sum of money calculated and made available by way of loan by the Banker or by ECGD to the Borrower in accordance with Clause 9
- “Affiliate” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company
- “Application for Approval” means an application made in the form of Appendix A
- “Approval in Principle” means a notice in the form of Appendix B
- “Approved Contract” means a contract in respect of which a Notice of Approval has been issued
- “Approved Contract Loan” means the Loan which relates to an Approved Contract

“Authorisation” means an authorisation consent approval resolution licence exemption filing notarisation or registration

“Availability Period” means the period from and including the date of this Agreement to and including the date as specified in Clause 3.5 (or such later date as may from time to time be notified by the Banker to the Borrower pursuant to that Clause)

“Banker’s Account” means the following account:

Pay: Barclays Bank PLC, New York (BARCUS33), Chips UID 312842

For: Account of Barclays Bank PLC Wholesale, London (BARCGB5G)

Account Number: 280238433

Attention: Geoff Miall

Reference: MTS/STEF London

or such other account as the Banker may from time to time notify the Borrower and ECGD in writing

“Borrower’s Account” means the following account:

Mobile TeleSystems OJSC INN 7740000076
4 Marksistskay str. Moscow 109147 Russia

Account Bank: Moscow Bank for Reconstruction and Development, Moscow, Russia

Acct. No: 40702840300000000652

SWIFT Code: MBRD RU MM

or such other account as the Borrower may from time to time notify the Banker in writing

“Borrower’s Signatory” means any person who is a director or other officer of the Borrower whose name and specimens of whose signature have been supplied from time to time to the Banker by the Borrower as being those of a person authorised to sign Applications for Approval and the unqualified acceptances referred to in Clause 7.3.1 and Reimbursement Certificates referred to in Clause 8 provided that at the date of receipt of the relevant document by the Banker no written notice of the revocation of such authorisation has been received by the Banker

“Borrower’s Total Assets” means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower’s most recent annual consolidated balance sheet delivered in accordance with Clause 12.1.23.1 (*Financial statements*)

“Break Costs” means the amount (if any) by which

a the interest (excluding the Margin) which the Banker should have received for the period from the date of receipt of all or any part of the Advance or Unpaid Sum to the last day of the current Interest Period in respect of that Advance or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds

b the amount which the Banker would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the London interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period

- “Business Day” means a day except a Saturday or a Sunday on which dealing in dollar deposits is carried on in the London interbank market and (if payment is required to be made on such day) on which banks are open for domestic and foreign exchange business in London, Moscow and New York City
- “Commitment” means the obligation of the Banker to make Advances (other than Advances relating to the Additional Facility) under the terms of this Agreement
- “Committed Facility Amount” means \$25,653,462.68 (to the extent not increased, cancelled or reduced in accordance with the terms of this Agreement)
- “Default” means an Event of Default or any event or circumstance specified in Clause 11.1 which would (with the expiry of a grace period, the giving of notice, the making of any determination hereunder or any combination of any of the foregoing) be an Event of Default

“Default Demand”	means a demand in writing for the amount specified in Clause 11.5 sent by the Banker to the Borrower pursuant to Clause 11.3
“Default Interest Rate”	means the rate which is 1% (one per cent) per annum above the Interest Rate
“Default Notice”	means a notice in writing of the occurrence of an Event of Default sent by the Banker to the Borrower pursuant to Clause 11.2
“Event of Default”	means any event or circumstance specified as such in Clause 11.1
“Early Repayment”	means any whole or partial prepayment or acceleration of the Loan whether pursuant to Clause 4.9 or Clause 11.5 or otherwise
“ECGD Finance Charge/Additional Finance Charge Receipt”	means a receipt in the form of Appendix H signed on behalf of ECGD for sums received pursuant to Clause 18.1.2 (in respect of Contract No.1) or Clause 18.2 (in respect of Supply Contracts placed under the Additional Facility) as the case may be
“Eligible Bank”	means any bank or other lending institution which is approved by ECGD for the purposes of acquiring rights and benefits hereunder
“Eligible Goods”	means UK Goods EU Goods US Goods, Third Country Goods as may be approved by the Banker (with the prior written consent of ECGD) for financing under this Agreement

“Eligible Services”	means UK Services, EU Services, US Services and Third Country Services as may be approved by the Banker (with the prior written consent of ECGD) for financing under this Agreement
“Eligible Value”	means the amount specified as such in an Approval in Principle
“EU”	means the states taken together that are from time to time members of the European Union
“EU Goods”	means goods produced or manufactured in the EU (excluding the UK)
“EU Services”	means services rendered by persons ordinarily resident or ordinarily carrying on business in the EU (excluding the UK)
“Finance Party”	means the Banker or ECGD save that ECGD is not a Finance Party for the purposes of Clause 14
“Final Date for Drawings”	means the date specified in Clause 3.5 or such later date as may from time to time be notified by the Banker to the Borrower pursuant to that Clause
“Finance Charge”	means the sum of \$2,180,544.33 payable to ECGD in respect of Contract No. 1
“Financed Percentage”	means in relation to any contract the percentage of the Eligible Value thereof specified in the Approval in Principle relating thereto

- “Financial Indebtedness” means any indebtedness for or in respect of
- a moneys borrowed
 - b any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent
 - c any amount raised pursuant to any note purchase facility or the issue of bonds notes debentures loan stock or any similar instrument
 - d the amount of any liability in respect of any lease or hire purchase contract which would in accordance with GAAP be treated as a finance or capital lease
 - e receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis)
 - f any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing
 - g any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and when calculating the value of any derivative transaction only the marked to market value shall be taken into account)
 - h any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution and
 - i the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above
- “GAAP” means generally accepted accounting principles, standards and practices in the United States of America
- “Group” means the Borrower and its Subsidiaries for the time being

“Holding Company”	means, in relation to a person, any other person in respect of which it is a Subsidiary
“Interest Due Date”	means either the 15 th day of January or the 15 th day of July in each year or both such days in each year (as the context may require)
“Interest Period”	means the period from and including an Interest Due Date to but excluding the next succeeding Interest Due Date EXCEPT THAT the Interest Period in relation to an Advance shall be the period from and including the date such Advance is made up to the next Interest Due Date or if such an Advance is made within a period of 15 days prior to an Interest Due Date to the next succeeding Interest Due Date
“Interest Rate”	means in respect of each Approved Contract the rate per annum equal to the sum of LIBOR, the Margin and the Mandatory Cost (if any) EXCEPT THAT if by reason of circumstances affecting the London interbank market it is not possible to ascertain LIBOR for the relevant Interest Period or other selected period the Interest Rate shall mean the rate per annum equal to the sum of the Margin, the Mandatory Cost (if any) and the actual cost (including any extra costs incurred from a switch of funding) to the Banker and/or ECGD of making Advances and/or maintaining the Loan for that Interest Period or that other selected period from whatever other source the Banker, ECGD and the Borrower may agree. Such cost shall be notified by the Banker to the Borrower as soon as practicable

“Kuban GSM” means CJSC Kuban GSM a joint-stock company organised under the laws of the Russian Federation that is a Subsidiary of the Borrower

“LIBOR” means

a for the purpose of calculating the Interest Rate chargeable in relation to any Advance or Loan for any Interest Period the rate per annum at which deposits in dollars equivalent to such Advance or Loan for that Interest Period appears on the Reuters Screen LIBOR01 page for that Interest Period at 11 am London time on the date two Business Days before the commencement of that Interest Period EXCEPT THAT if on such day the Reuters Screen LIBOR01 page is not functioning or a rate is not available for that Interest Period LIBOR shall mean the rate of interest equal to the arithmetic mean of the rates (rounded upwards to four decimal places) at which deposits in dollars equivalent to the Advance or Loan are offered to the Reference Banks for the relevant Interest Period by prime banks in the London Interbank Market at 11 am London time on the date two Business Days before the commencement of that Interest Period or

b for the purpose of calculating the Interest Rate chargeable under Clause 4.5 or 11.6 the rate of interest at which deposits in dollars equivalent to the amount due to the Banker and/or ECGD for such period as the Banker (with the prior written consent of ECGD) shall have selected appears on the Reuters Screen LIBOR01 page at 11 am London time on the first day of that period EXCEPT THAT if on such day the Reuters Screen LIBOR01 page is not functioning or a rate is not available for such period LIBOR shall mean the rate of interest

equal to the arithmetic mean of the rates (rounded upwards to four decimal places) at which deposits in dollars equivalent to the amount due to the Banker and/or ECGD are offered to the Reference Banks for such period as the Banker (with the prior written consent of ECGD) shall have selected by prime banks in the London Interbank Market at or about 11 am London time on the day on which quotations would ordinarily be given between prime banks in the London Interbank Market for deposits in dollars for delivery on the first day of that period

- “Loan” means at any time in relation to the Banker or ECGD the amount of principal owing to the Banker or ECGD hereunder at that time
- “Loan Facility” means the sum of \$25,653,462.68 and the Additional Facility
- “Loan Value” means the aggregate of the Loans of the Banker and ECGD
- “Mandatory Cost” means the percentage rate per annum calculated by the Banker in accordance with Appendix G
- “Margin” means the sum of 15 basis points per annum and any increase to the Margin pursuant to Clause 15.4
- “Material Adverse Effect” means a material adverse effect on or a material adverse change in
- a the financial condition operations assets prospects or business of the Borrower or the consolidated

financial condition operations assets prospects or business of the Group

- b the ability of the Borrower to perform and comply with its obligations under this Agreement or
- c the validity legality or enforceability of this Agreement or the rights or remedies of any Finance Party hereunder

“Notice of Approval” means a notice in the form of Appendix C

“Party” means a party to this Agreement

“Permitted Security” means

a any Security on any assets of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower and not created in contemplation of such event provided that no such Security shall extend to any other assets

b any Security existing on any assets prior to the acquisition thereof by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition provided that no such Security shall extend to any other assets

c any Security on any assets securing Financial Indebtedness of the Borrower or Financial Indebtedness of any Subsidiary of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such assets provided that (i) no such Security shall extend to any other assets (ii) the

aggregate principal amount of all Financial Indebtedness secured by such Security on such assets shall not exceed the lower of (x) the purchase price of such assets and (y) the fair market value of such assets at the time of acquisition repair or refurbishing and (iii) such Security attaches to such assets concurrently with the repair or refurbishing thereof or within 90 days after the acquisition thereof as the case may be

d any Security arising by operation of law including any Security (i) arising in the ordinary course of business with respect to amounts not yet delinquent or being contested by the Borrower or a Subsidiary of the Borrower in good faith in appropriate proceedings or (ii) for taxes assessments government charges or claims including without limitation those in favour of Russian governmental fiscal authorities

e any Security on the assets of any Subsidiary of the Borrower securing intercompany Financial Indebtedness of such Subsidiary owing to the Borrower or another Subsidiary of the Borrower

f any netting or set-off arrangement entered into by a member of the Group with a bank or any other financial institution in the normal course of its banking arrangements for the purpose of netting or setting off its debit and credit facilities with that bank or financial institution

g easements rights-of-way restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Borrower or the business of any Subsidiary of the Borrower including any encumbrance or restriction with respect to an equity interest of any joint venture pursuant to a joint venture agreement

h any extension renewal or replacement of any Security described in paragraphs (a) to (g) above provided that (i) such extension renewal or replacement shall be no more restrictive in any material respect than the original Security (ii) the amount of Financial Indebtedness secured by such Security is not increased and (iii) if the assets securing the Financial Indebtedness subject to such Security are changed in connection with such refinancing extension or replacement the fair market value of the property or assets is not increased and

i any other Security (excluding any Security described in paragraphs (a) to (h) (inclusive) above) provided that immediately after giving effect to such Security the aggregate amount of all secured Financial Indebtedness of the Group does not exceed 10% of the Borrower's Total Assets

“Qualifying Lender”	means a Finance Party which is situated for tax purposes in the Russian Federation or in a Tax Treaty Jurisdiction
“Reference Banks”	means the principal London offices of Barclays Bank PLC, ABN AMRO BANK N.V., HSBC Bank plc, ING Bank N.V., Raiffeisen Zentralbank Oesterreich AG or the principal London offices of such other banks as may be agreed between the Banker (with the prior written consent of ECGD) and the Borrower from time to time
“Reimbursement Certificate”	means a certificate in the form of Appendix E(1) or Appendix E(2) as appropriate or such other form as may be agreed between the Banker (with the prior written consent of ECGD) and the Borrower submitted in accordance with Clause 8

- “Reimbursement Claim” means a claim made by the Borrower on the Banker in accordance with Clause 8
- “Security” means a mortgage charge lien pledge or other interest securing any obligations of any person or any other agreement or arrangement having a similar effect
- “Significant Subsidiary” means
- a UMC (unless pursuant to the UMC Litigation any or all of the Borrower’s shares in UMC are transferred to a person that is not a member of the Group with the result that UMC ceases to be a member of the Group)
 - b Telecom XXI
 - c Kuban GSM
 - d any Subsidiary of the Borrower to which (i) the Borrower UMC Telecom XXI or Kuban GSM sells leases or otherwise transfers its GSM 900 or 1800 licences or (ii) any such licence is re-issued and
 - e any Subsidiary of the Borrower (i) whose total assets (or where such Subsidiary prepares consolidated accounts whose total consolidated assets) have a book value (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) equal to or exceeding 10% of the Borrower’s Total Assets or (ii) whose gross annual revenues (or where such Subsidiary prepares consolidated accounts whose gross annual consolidated revenues) (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) are equal to or exceed 10% of the Borrower’s gross annual consolidated revenues in the

year for which the Borrower's most recent consolidated financial statements were prepared

“Subsidiary”	means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent of the share capital or similar right of ownership
“Supplier’s Receipt”	means a receipt in the form of Appendix F signed by the Supplier’s Signatory for sums paid to the Supplier by the Borrower in the manner provided for in Clause 8
“Supplier’s Signatory”	means any person who is a director or other officer of the Supplier whose name and specimens of whose signature have been supplied from time to time to the Banker by the Supplier as being those of a person authorised to sign Supplier’s Receipts referred to in Clause 8 on behalf of that Supplier provided that at the date of receipt of the relevant Reimbursement Claim by the Banker no written notice of the revocation of such authorisation has been received by the Banker
“Supply Contract”	means a contract between the Borrower and the Supplier for the supply of plant and equipment and/or for the rendering of services
“Tax”	means any tax levy impost duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same)
“Tax Credit”	means a credit against relief or remission for or repayment of any Tax

“Tax Deduction”	means a deduction or withholding for or on account of Tax from a payment under this Agreement
“Tax Payment”	means an increased payment made by the Borrower to a Finance Party under Clause 14.3 or a payment under Clause 14.2
“Tax Treaty Jurisdiction”	means a jurisdiction which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian Federation has succeeded) which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction
“Telecom XXI”	means Telecom XXI an open joint stock company that is a wholly-owned Subsidiary of the Borrower
“Telecommunications Authorisation”	means any Authorisation from any governmental or other regulatory authority necessary in order for each of the Borrower and its Significant Subsidiaries to maintain, operate and conduct its business as it is being conducted in accordance with Telecommunications Laws.
“Telecommunications Laws”	means (a) all laws and regulations which relate to telecommunications and/or the business of providing mobile telephone services and (b) all rules, guidelines, policies and regulations made thereunder, that are applicable to each of the Borrower and its Significant Subsidiaries and/or the business carried on by it.
“Third Country Goods”	means goods produced or manufactured in a place other than the EU or the US

“Third Country Services”	means services rendered by persons ordinarily resident or ordinarily carrying on business in a place other than the EU or the US
“UK”	means the United Kingdom of Great Britain and Northern Ireland and includes the Channel Islands and the Isle of Man
“UK Goods”	means goods produced or manufactured in the UK
“UK Services”	means services rendered by persons ordinarily resident or ordinarily carrying on business in the UK
“UMC”	means CJSC “Ukrainian Mobile Communications”
“UMC Litigation”	means any of the claims proceedings (present or future) and causes of action involving the Borrower and/or any of its Affiliates (including UMC) relating to or arising out of the sale of UMC to the Borrower or the acquisition reorganisation or ownership of UMC by the Borrower
“Unpaid Sum”	means for the purposes of calculating Break Costs any sum due and payable but unpaid by the Borrower under this Agreement
“US”	means the United States of America
“US Goods”	means goods produced or manufactured in the US
“US Services”	means services rendered by persons ordinarily resident or ordinarily carrying on business in the US

“\$” and “dollars” mean the lawful currency of the United States of America

1.2 All references to interest shall be to interest accruing from day to day and calculated on the basis of actual days elapsed and a year of 360 days

1.3 Where the context of this Agreement so allows words importing the singular include the plural and vice versa

1.4 Unless otherwise indicated reference to a specified Clause Recital or Appendix shall be construed as a reference to that specified Clause of Recital to or Appendix to this Agreement

1.5 Clause and Appendix headings are for ease of reference only and do not form part of this Agreement

1.6 Unless otherwise indicated reference to “the Banker”, “ECGD”, “the Borrower” and any “Party” shall be construed so as to include its successors in title, permitted assigns and permitted transferees

1.7 Any reference in this Agreement to a provision of law is a reference to that provision as amended or re-enacted

2 THE BANKER

Every reference herein to the Banker shall be construed as a reference to Barclays Bank PLC as principal and liability to make Advances and rights remedies and powers hereunder in relation to any Advances so made shall be those of Barclays Bank PLC as such principal

2.1 the foregoing shall not apply and references to the Banker shall be construed as references to Barclays Bank PLC as agent for ECGD

2.1.1 where presentation of a Reimbursement Claim is made after the termination of the Commitment and ECGD shall be liable to make the relevant Advance or

2.1.2 where ECGD makes any Advance or

2.1.3 where ECGD by assignment under Clause 13.4 becomes entitled to the rights remedies and powers conferred hereby in relation to any Advance or interest thereon or other moneys attributable thereto

2.2 If Clause 2.1.1, 2.1.2 or 2.1.3 applies the rights remedies and powers hereunder shall be those of ECGD but may be exercised by the Banker as agent for ECGD

2.3 The Banker hereby warrants that it has full power to enter into this Agreement and to perform all its obligations hereunder

3 PURPOSE AND LIMITS OF FINANCE

3.1 To assist the Borrower in making payments to the Supplier in respect of Eligible Goods to be supplied and/or Eligible Services to be rendered in accordance with Contract No.1 and in meeting the Finance Charge the Banker agrees subject to the terms and conditions herein contained to make Advances up to the Committed Facility Amount of which not more than

3.1.1 \$23,800,000 shall be advanced in respect of Eligible Goods and Eligible Services; and

3.1.2 \$1,853,462.68 shall be advanced in respect of the Finance Charge

3.2 If the Banker has advanced \$25,653,462.68 to the Borrower under this agreement then the Borrower may request additional drawings under the Additional Facility up to \$64,346,537.32 for the purposes of financing additional Supply Contracts and the Additional Finance Charge due in respect thereof. The Borrower shall not consider the Banker to be under any obligation to lend funds under the Additional Facility. Any drawing agreed thereunder shall be at the sole discretion of the Banker

3.3 Each Advance shall be deemed to be made to the Borrower at the time the amount thereof is made available by the Banker or by ECGD pursuant to Clause 9.2 or 9.3 or 9.6

3.4 Advances made shall be disbursed in dollars direct to the Borrower from time to time by the Banker to reimburse the Borrower for sums paid by the Borrower to the Supplier and ECGD

3.5 No Advance shall be made after the close of business in New York City on 31st day of July 2007 unless and then only to the extent that the Banker (with the prior written consent of ECGD) shall otherwise notify the Borrower in writing

3.6 The Borrower hereby irrevocably and unconditionally (1) authorises the Banker to issue notices pursuant to Clause 3.5 to extend the Final Date for Drawings on such occasions as the Banker may think fit (including without limitation for the purpose of accommodating delays in performance of an Approved Contract) and (2) agrees that any such notice may be given and will be effective notwithstanding that the Final Date for Drawings which exists immediately prior to the date on which that notice is served may have already occurred

4 REPAYMENT OF LOAN AND PAYMENT OF INTEREST

4.1 Subject to Clause 4.3 the Borrower agrees to repay on consecutive Interest Due Dates the amount to be advanced in respect of each Approved

Contract in the semi-annual instalments specified in the relevant Approval in Principle

4.2 In relation to each Approved Contract the first such instalment shall become due and payable on the Interest Due Date next following a period of 3 months from whichever of the following dates is applicable to that Approved Contract

4.2.1 where each item of the plant or equipment to be supplied is usable on delivery the date by which it is estimated in the Application for Approval that 50% by value of the Eligible Goods will have been delivered

4.2.2 where the Approved Contract is in respect of services only the date by which it is estimated in the Application for Approval that 50% by value of the Eligible Services will have been rendered

4.2.3 where the plant or equipment to be supplied is usable only on delivery of all of the same the date on which it is estimated in the Application for Approval that the final delivery of plant or equipment will be made

4.2.4 where the Supplier is responsible for the installation of the plant or equipment to be supplied the date on which it is estimated in the Application for Approval that the installation will be completed or the date 12 months after the estimated date for the final delivery of plant or equipment, whichever is the earlier

4.3 If on the earlier of the day on which the Borrower confirms to the Banker that there are no further Reimbursement Claims to be made in respect of an Approved Contract and the date given in Clause 3.5 or such later date as may be notified by the Banker pursuant to that Clause the sum of the relevant Approved Contract Loan and the aggregate amount of any instalments paid in accordance with Clauses 4.1 and 4.2 in respect of that

Approved Contract is less than the amount of the Financed Percentage of that Approved Contract an amount (“the shortfall”) equal to the difference between the said sum and the amount represented by the said Financed Percentage shall be deducted from as many of the instalments specified in the relevant Approval in Principle and taken in the reverse order of the due dates for payment thereof as are necessary to extinguish the shortfall

4.4 The Borrower further agrees to pay interest on each Approved Contract Loan at the Interest Rate. Such interest shall be due and payable semi-annually on the Interest Due Dates EXCEPT THAT the interest which accrues on any Advance made within a period of 15 days prior to an Interest Due Date shall not be payable on that due date but shall be due on the next succeeding Interest Due Date

4.5 If any amount of

4.5.1 any instalment payable in accordance with Clauses 4.1 and 4.2 and/or

4.5.2 interest payable in accordance with Clause 4.4

is not paid on the due date for payment thereof the Borrower shall pay interest on such amount at the Default Interest Rate. Such interest shall accrue from day to day from the due date for payment of such amount to the date of receipt by the Banker of such amount and shall be due and payable without further notice or demand of any kind

4.6 The liability of the Borrower to pay in full any sum due under this Agreement on the due date for payment thereof is in no way conditional upon performance of any Approved Contract by the Supplier nor shall such liability be affected in any way by reason of any claim which the Borrower may have or may consider that it has against the Supplier

4.7 Save where this Agreement expressly provides otherwise all payments to be made by the Borrower shall be made to the Banker for its own account and/or that of ECGD in accordance with their respective entitlements and shall be payable on the due date in New York City in freely transferable dollars that are available for immediate use by the parties entitled thereto or are “same-day funds” in the New York Clearing House Interbank Payment System (or in such other immediately available funds as may at the time of payment be customary in New York for the same-day settlement of international banking transactions in dollars) to the Banker’s Account

4.8 All amounts received by the Banker for the account of ECGD shall be paid to ECGD by the Banker as soon as is practicable following receipt in the manner in which ECGD shall from time to time instruct the Banker in writing

4.9 The Borrower may on giving written notice to the Banker not less than 15 Business Days (or such shorter period as the Banker may agree in writing) prior to an Interest Due Date prepay on that Interest Due Date in addition to any other sums then due the whole or any part of any Approved Contract Loan in accordance with and subject to the following conditions:-

4.9.1 no Event of Default shall have occurred and remain unremedied

4.9.2 partial prepayments hereunder made subsequent to the Final Date for Drawings should be applied in or towards satisfaction of the instalments remaining to be paid in accordance with Clauses 4.1 and 4.2 in respect of the relevant Approved Contract in the reverse order of the due dates for payment thereof

4.9.3 once notice of prepayment under this Clause 4.9 is given to the Banker the Borrower shall be irrevocably bound to make such prepayment

4.9.4 amounts so prepaid shall not be re-advanced

4.10 If the Borrower makes any payment of moneys intended to be used in accordance with the provisions of Clause 4.9 the Banker shall hold such prepayment until the next Interest Due Date after receipt thereof when such prepayment shall be applied in the manner described in Clause 4.9

4.11 The Borrower shall, within 3 Business Days of demand by the Banker, pay to the Banker its Break Costs attributable to all or any part of an Advance or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Advance or Unpaid Sum. Any such demand by the Banker shall be accompanied by a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue and setting out reasonable details thereof

4.12 Save in the case of manifest error a certificate issued by the Banker pursuant to Clause 4.11 shall be conclusive evidence of the amount due from the Borrower to the Banker pursuant to that Clause

4.13 All payments made by the Borrower hereunder shall be made free and clear of and without deduction for any set-off or counter-claim

4.14 The Borrower may on giving written notice to the Banker not less than 15 Business Days (or such shorter period as the Banker may agree) cancel the whole or any part of the Commitments. Any notice of cancellation shall be irrevocable and no part of the Loan Facility which has been cancelled shall be capable of being drawn

4.15 The Borrower shall not repay or prepay all or any part of the Loan or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement

4.16 Any Early Repayment shall be made together with accrued interest on the amount prepaid and without premium or penalty

4.17 Any payment to be made by the Borrower which would otherwise fall due on a day which is not a Business Day shall instead fall due on the next Business Day

5 CONDITIONS PRECEDENT TO ADVANCES

5.1 No Advance shall be made until the Banker has despatched to the Borrower notice in writing that the following conditions have been fulfilled to the satisfaction of the Banker (which satisfaction shall only be notified to the Borrower by the Banker with the prior consent in writing of ECGD). Such conditions must have been fulfilled within 90 days of the signature of this Agreement or within such other longer period as the Banker (with the prior consent in writing of ECGD) may otherwise agree. Any such agreement by the Banker may be conditional upon the Borrower accepting revised terms for this Agreement.

5.2 The conditions set out in Clauses 5.1 and 5.5 are for the benefit of the Banker and ECGD and the Banker may in its sole and absolute discretion (but subject always to its obtaining the prior written consent of ECGD) waive any or all of those conditions in whole or in part and decide when and if each of those conditions has been fulfilled to its satisfaction

5.3 The Borrower shall have:

5.3.1 taken all necessary corporate actions to authorise the entry into and the performance of its obligations under this Agreement

5.3.2 obtained all consents licences permits and authorisations and fulfilled all conditions of all governmental and other authorities necessary to enable the Borrower to enter into this Agreement and to make payment of all sums in dollars in New York which become due from the Borrower to the Banker under this Agreement

5.3.3 satisfied the Banker that no authorisations or consents of any governmental or other authority in the Russian Federation are necessary for ECGD to make any Advance or for any assignment of rights and benefits contemplated by Clause 13 to be made during the period of this Agreement

5.3.4 supplied to the Banker evidence of the authority and specimens of the signature of the Borrower's Signatory

5.3.5 paid to the Banker the commission referred to in Clause 17

5.3.6 made to ECGD the payment due in respect of Contract No. 1 as required by Clause 18.1.1

5.4 Baker & McKenzie-CIS Limited of Sadovaya Plaza 11th Floor 7 Dolgorukovskaya Street Moscow 127006 Russian Federation shall have given an opinion as to matters of Russian law in form and substance satisfactory to ECGD confirming:-

5.4.1 that the individuals who have signed this Agreement on behalf of the Borrower were duly authorised so to sign

5.4.2 that as so signed this Agreement imposes legally valid and binding obligations enforceable in the Russian Federation in accordance with its terms on the Borrower on whose behalf it has been signed which the Borrower is fully qualified and empowered to undertake in conformity with the law of the Russian Federation

5.4.3 that all consents licences permits and authorisations have been obtained and all other conditions of all governmental and other authorities in the Russian Federation have been fulfilled to enable the Borrower to enter into this Agreement and to make payment in dollars in New York of all sums which may become due from the Borrower under this Agreement

5.4.4 that no authorisations or consents of any governmental or other authority in the Russian Federation are necessary for ECGD to make any Advance or for any assignment of rights and benefits contemplated by Clause 13 to be made during the period of this Agreement

5.5 In addition to the conditions specified in Clauses 5.3 and 5.4 before a Notice of Approval is issued in respect of any contract and before any Advances shall be made hereunder in respect thereof

5.5.1 the Borrower shall have

5.5.1.1 provided the Banker with an irrevocable letter of instruction in the form set out in Appendix D

5.5.1.2 obtained all consents licences permits and authorisations and fulfilled all conditions of all governmental and other authorities in the Russian Federation in respect of the purchase and import of the goods to be supplied and the services to be rendered to the Borrower in accordance with the

terms of the Supply Contract and the payment therefor in dollars in New York

5.5.1.3 made to ECGD the payment due in respect of Contract No.1 as required by Clause 18.1.2 or (for contracts other than Contract No.1) the Additional Finance Charge

5.5.2 the Supplier shall have (within 90 days of the date of the relevant Approval in Principle issued in respect of its contract or within such other period as the Banker (with the prior consent in writing of ECGD) may otherwise agree)

5.5.2.1 confirmed to the Banker in writing that the contract provides for cash payments on each delivery and on the performance of each item of service (if any) as envisaged by Clause 6.7

5.5.2.2 provided the Banker with evidence of the authority and specimens of the signature of the Supplier's Signatory

5.5.2.3 provided the Banker with written confirmation that all necessary approvals including any export licences in respect of all the UK Goods and/or UK Services and other goods and/or services to be supplied and/or rendered in accordance with the relevant Supply Contract have been obtained and have not been withdrawn and together with such confirmation the Supplier shall have provided a certified true copy of the relevant export licences

5.5.2.4 confirmed to the Banker in writing that it has provided all of the information, representations, warranties and undertakings required by the relevant UK government authorities

5.5.3 ECGD shall have

5.5.3.1 confirmed to the Banker in writing that it has received from the Supplier (in a form to be agreed by ECGD and the Supplier) all undertakings customarily required by ECGD in transactions of this nature

5.5.3.2 confirmed to the Banker by the submission of an ECGD Finance Charge/Additional Finance Charge Receipt in the form of Appendix H that it has received from the Borrower the Finance Charge or (for contracts other than Contract No.1) the Additional Finance Charge

5.5.4 no Event of Default shall have occurred and remain unremedied or would occur as a result of the Advance being made

5.5.5 all representations and warranties made by the Borrower in this Agreement are true and correct in all material respects

6 CONTRACTS ELIGIBLE FOR FINANCING

All contracts to be financed hereunder shall

- 6.1 be made between the Borrower and the Supplier
- 6.2 be for the supply of Eligible Goods and/or Eligible Services (if any) with a contract value of at least \$20,000
- 6.3 be denominated and payable in dollars
- 6.4 have been entered into not later than 24 months from the date of signature of this Agreement

6.5 be those in respect of which Approvals in Principle have been issued not later than 26 months from the date of signature of this Agreement

6.6 be those in respect of which the conditions specified herein in relation to that Approved Contract have been fulfilled not later than 90 days after the expiration of the period specified in Clause 6.4 or such later date as the Banker may (with the prior written consent of ECGD) notify the Borrower in writing

6.7 provide for periodic payments in cash by the Borrower to the Supplier calculated by reference to the invoice value of Eligible Goods delivered to the Borrower and/or Eligible Services (if any) rendered on or before each delivery or performance of each item of service (as the case may be)

6.8 contain no provision which requires the goods to be supplied to be shipped in ships registered in any particular country or which discriminates against ships registered in the UK

7 APPROVAL PROCEDURE

7.1 In respect of each contract that the Borrower wishes to be financed hereunder the Borrower shall send to the Banker an Application for Approval signed by the Borrower's Signatory

7.2 If the Banker agrees that such contract shall be so financed they will send to the Borrower and the Supplier an Approval in Principle

7.3 A Notice of Approval shall then be sent by the Banker to the Borrower and the Supplier after

7.3.1 the Banker has received the Borrower's unqualified acceptance in writing signed by a Borrower's Signatory of the terms of the relevant Approval in Principle and

7.3.2 the conditions specified in Clause 5.5 have been fulfilled to the satisfaction of the Banker

7.4 Following the issuance of a Notice of Approval in relation to a new Supply Contract (which for the avoidance of doubt shall exclude Contract No. 1):

7.4.1 the Committed Facility Amount shall automatically be increased by the Financed Percentage of (i) the amount of such Supply Contract and (ii) the amount of any Additional Finance Charge in respect thereof (together, the “Additional Committed Facility Amount”) and

7.4.2 the Additional Facility shall automatically be reduced by the Additional Committed Facility Amount

PROVIDED THAT nothing in this Agreement shall cause the Committed Facility Amount to exceed \$90,000,000 at any time. The Borrower shall pay to the Banker the fees described in Clauses 17.2 and 17.3 and to ECGD the Additional Finance Charge described in Clause 18.2 with respect to any increase in the Committed Facility Amount

8 REIMBURSEMENT CLAIMS

8.1 From time to time the Borrower may present claims to the Banker by the submission of a Reimbursement Certificate signed by a Borrower's Signatory and accompanied by either a Supplier's Receipt for payments made in respect of Eligible Goods delivered and/or Eligible Services rendered (if any) or an ECGD Finance Charge/Additional Finance Charge Receipt for payments made pursuant to Clauses 18.1.2 or 18.2 as the case may be PROVIDED THAT the first such claim for all sums paid to the Supplier referred to in this Clause 8 prior to the date of loan effectiveness is received by the Banker within 45 Business Days of the date of the Banker serving notice on the Borrower confirming loan effectiveness in accordance with Clause 5 and that all subsequent claims for sums paid to the Supplier or ECGD referred to in this Clause 8 are received by the Banker within 45 Business Days of the date of receipt of payment by the Supplier or ECGD specified in the relevant Supplier's Receipt or ECGD Finance Charge/Additional Finance Charge Receipt

8.2 Reimbursement Claims may be made only in respect of (i) the Eligible Value of an Approved Contract or (ii) the Finance Charge or Additional Finance Charge payable to ECGD in respect thereof

9 ADVANCES AND REIMBURSEMENT PROCEDURES

9.1 The Banker shall open and maintain records in accordance with its usual practices into which the Banker shall promptly enter from time to time details of the aggregate amount of all Advances made and of all repayments and prepayments thereof the aggregate amount of interest falling due and of all payments thereof and the aggregate amount of all amounts of commissions and fees falling due and of all payments thereof together with details of any other amounts payable by the Borrower and of all payments thereof

9.2 The Banker shall make the first Advance immediately upon notifying the Borrower that the conditions set out in Clause 5 have been fulfilled

9.3 If the Borrower wishes to use the Additional Facility to assist the financing of further contracts entered into with the Supplier pursuant to Recital (1) the Banker shall make the first Advance in respect of the relevant contract immediately after notifying the Borrower that the conditions set out in Clause 5.5 have been fulfilled in respect of that contract

9.4 Subject to the provisions of this Agreement as soon as practicable after receipt of a Reimbursement Claim the Banker shall make an Advance hereunder by way of disbursement in dollars to the Borrower in accordance with Clause 9.6 of the amount of such Reimbursement Claim

9.5 Where ECGD is required to make an Advance by virtue of the provisions of Clause 9.8 ECGD shall not more than 10 Business Days after receipt of notification from the Banker to that effect make its Advance available to the Banker by payment in New York City in freely transferable dollars that are available for immediate use by the Banker or are “same-day funds” in the New York Clearing House Interbank Payment System (or in such other immediately available funds as may at the time of payment be customary in New York for the same-day settlement of international banking transactions in dollars) to the Banker’s Account and the Banker shall as soon as practicable after the Advance is made by ECGD disburse such amount to the Borrower in accordance with Clause 9.6

9.6 Advances made in accordance with Clauses 9.4 and 9.5 shall be disbursed to the Borrower by payment in dollars to the Borrower’s Account

9.7 Notwithstanding any other provisions of this Clause 9 no Advance (other than the first Advance made hereunder) shall be made in accordance with Clauses 9.4 and 9.5 before the Business Day next following a period of 5 Business Days from the date of the previous Advance

9.8 ECGD hereby undertakes that if the Commitment is terminated under the provisions of Clause 13.1 or 13.2 ECGD will subject to the terms and conditions of this Agreement make the Advances which the Banker would otherwise have made

10 AMOUNTS DUE TO BE PAID TO THE BORROWER

10.1 All amounts received or retained by the Banker by virtue of any letter of instruction given in the terms set out in Appendix D or by virtue of accrual of interest on any sum held on deposit in accordance with Clause 19 shall be applied as the Borrower may direct EXCEPT THAT if any of the circumstances referred to in Clause 10.2 shall occur before the application by the Banker of any such amounts in accordance with such direction the Banker shall apply such amounts as ECGD may direct in writing in or towards satisfaction of any sum to be paid by the Borrower under this Agreement

10.2 The circumstances referred to in Clause 10.1 are as follows:

10.2.1 the Supplier or the Borrower has notified the Banker that the Supply Contract has been terminated or

10.2.2 the Supplier or the Borrower has notified the Banker that arbitration has been initiated under the Supply Contract or

10.2.3 an Event of Default has occurred and remains unremedied

10.3 Where the Banker is directed by ECGD to apply an amount referred to in Clause 10.1 in or towards repayment of the Loan Value and such amount is received or retained by the Banker on a date other than an Interest Due Date the Banker shall hold such amount on deposit until the next Interest Due Date and shall then apply it as directed

11 DEFAULT

11.1 For the purposes of this Agreement there shall be an Event of Default:-

11.1.1 if the Borrower fails to pay in full in accordance with Clause 4.7 on the due date for payment thereof

11.1.1.1 any instalment due in accordance with Clauses 4.1 and 4.2 or

11.1.1.2 any interest due under this Agreement

unless such failure to pay is caused by administrative or technical error and payment is made within 3 Business Days of the due date

11.1.2 if the Borrower fails in the performance or observance of any of its other obligations hereunder

11.1.3

(a) if any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period

(b) if any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described)

(c) if any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described)

(d) if any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described)

provided that no Event of Default will occur under this Clause 11.1.3 unless the events described in paragraphs (a) to (d) above occur either (1) in respect of any single item of Financial Indebtedness or single commitment for Financial Indebtedness in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies), or (2) where the aggregate of unpaid amounts in respect of Financial Indebtedness and withdrawn commitments for Financial Indebtedness is in excess of \$35,000,000 (or its equivalent in any other currency or currencies)

11.1.4 if any action or proceedings are taken or instituted for the dissolution or disestablishment of the Borrower or for the suspension of its operations or any measures are taken which would prevent or impede the Borrower from or in carrying on its operations or any substantial part thereof provided that no Event of Default will occur under this Clause 11.1.4 in respect of any action, proceeding or measure which is - in the sole discretion of the Banker - frivolous or vexatious and is withdrawn or rejected within 30 calendar days from the date of commencement

11.1.5 if any order is made or a resolution is passed to wind up the Borrower or the Borrower becomes insolvent or makes any arrangement for the benefit of its creditors generally or admits in writing its inability to pay its debts as they become due or commits any act substantially equivalent thereto or any analogous procedure or step is taken in any jurisdiction

11.1.6 if a receiver or manager is appointed in respect of the Borrower or any of its assets for the benefit of debenture holders or other creditors of the Borrower

11.1.7 if any representation or warranty of the Borrower or any statement deemed to be made by the Borrower in this Agreement or in any other certificate or notice delivered by the Borrower in connection with this Agreement proves to have been inaccurate incomplete or misleading in any material respect at the time it was made or deemed to have been made and such representation warranty or statement is not rendered accurate complete and not misleading within 10 Business Days of notice in writing by the Banker or ECGD to the Borrower

11.1.8 if any governmental authorisation necessary for the performance of any obligation of the Borrower under this Agreement ceases to be in full force and effect

11.1.9 if there is a seizure compulsory acquisition expropriation nationalisation or renationalisation in each case without appropriate compensation by or under state authority of all or part of the assets of the Borrower (the book value of which is 15 per cent. or more of the book value of the Borrower's total assets immediately prior thereto) PROVIDED THAT this Clause 11.1.9 shall not apply to the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not an Affiliate of the Borrower

11.1.10 if the Borrower ceases (or proposes to cease) to carry on all or any substantial part of its business PROVIDED THAT this Clause 11.1.10 shall not apply to the transfer of all or any of the Borrower's shares in UMC pursuant to the UMC Litigation

11.1.11 if any law regulation or order or any change in any law or regulation does or purports to vary suspend terminate or excuse performance by the Borrower of any of its obligations under this Agreement or a moratorium on the payment of interest or principal under this Agreement is announced

11.1.12 if a Material Adverse Effect occurs or

11.1.13 if the UMC Litigation is adversely determined and in the reasonable opinion of the Banker such adverse determination has or is reasonably likely to have a Material Adverse Effect

11.2 If an Event of Default occurs a Default Notice may be sent by the Banker to the Borrower

11.3 If an Event of Default occurs and is continuing unremedied a Default Demand may be sent by the Banker to the Borrower

11.3.1 in the case of an Event of Default specified in Clause 11.1.1.1 or 11.1.3 with the Default Notice or at any time thereafter

11.3.2 in the case of an Event of Default specified in Clause 11.1.1.2 not less than 7 days after the sending of the Default Notice

11.3.3 in the case of any other Event of Default not less than 14 days after the sending of the Default Notice

11.4 On the occurrence of any of the events of default referred to in Clause 11.1 the obligation of the Banker and/or ECGD to make Advances

shall immediately cease but the Banker shall continue to make Advances if and for so long as ECGD so directs and ECGD may continue to make Advances without prejudice to the right of the Banker and/or ECGD to receive payment of any sums due to them but only until the sending of a Default Demand PROVIDED THAT if no Default Demand has been sent by the Banker and if the Event of Default is such an event as is referred to in Clause 11.1.1.2 and such Event of Default is remedied within 10 days or in Clause 11.3.3 and such Event of Default is remedied within 30 days the Banker and ECGD shall thereupon again be bound by their obligations as if such Event of Default had not occurred

11.5 Upon the sending of the Default Demand there shall forthwith become due and payable by the Borrower in respect of each Approved Contract the aggregate of the Approved Contract Loans and all interest accrued and unpaid in respect thereof calculated up to the date of the Default Demand together with any unpaid amount which has accrued under the provisions of Clause 4.5 up to that date

11.6 In lieu of the interest referred to in Clauses 4.4 and 4.5 which shall cease to accrue from the date of the Default Demand the Borrower shall pay without further notice or demand of any kind from day to day interest at the relevant Default Interest Rate on each amount payable under Clause 11.5 until such amount is paid to the Banker in accordance with Clause 4.7

11.7 If late or partial payment is received of any amount payable under this Agreement the Borrower hereby waives any rights which it may have to make any appropriation thereof and the amount so received shall be applied at the written direction of ECGD by the Banker in or towards satisfaction of the amounts which are due or overdue for payment

12 UNDERTAKINGS COVENANTS AND REPRESENTATIONS BY THE BORROWER

General Undertakings

12.1 The undertakings in this Clause 12.1 remain in force from the date of this Agreement for so long as any amount is outstanding under this Agreement

Authorisations

12.1.1 The Borrower shall promptly:

12.1.1.1 obtain comply with and do all that is necessary to maintain in full force and effect and

12.1.1.2 supply certified copies to the Banker of

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under this Agreement and to ensure the legality validity enforceability or admissibility in evidence in its jurisdiction of incorporation of this Agreement

Compliance with laws

12.1.2 The Borrower shall comply in all respects with all laws to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement

Maintenance of existence

12.1.3 The Borrower shall maintain its corporate existence

Negative pledge

12.1.4 The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets

12.1.5 The Borrower shall not (and the Borrower shall ensure that no other member of the Group will)

12.1.5.1 sell transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group

12.1.5.2 sell transfer or otherwise dispose of any of its receivables on recourse terms

12.1.5.3 enter into any arrangement under which money or the benefit of a bank or other account may be applied set-off or made subject to a combination of accounts or

12.1.5.4 enter into any other preferential arrangement having a similar effect

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset

12.1.6 Clauses 12.1.4 and 12.1.5 above do not apply to Permitted Security

Disposals

12.1.7 The Borrower shall not (and shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions

(whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset

12.1.8 Clause 12.1.7 above does not apply to any sale lease transfer or other disposal

12.1.8.1 made in the ordinary course of trading of the disposing entity

12.1.8.2 of assets in exchange for other assets comparable or superior as to type value and quality

12.1.8.3 made from one member of the Group (other than the Borrower) to another member of the Group

12.1.8.4 of cash or cash equivalents for cash or cash equivalents

12.1.8.5 where the book value of such asset (when aggregated with the book value of each other asset disposed of under this Clause 12.1.8.5) (in each case as calculated in accordance with GAAP) does not exceed (x) 10% of the Borrower's Total Assets in any financial year of the Borrower and (y) 25% of the Borrower's Total Assets during the period starting on the date of this Agreement and ending on the date that all amounts outstanding under this Agreement have been paid in full. At the request of the Banker (any such request to be made no more than once per calendar quarter unless a Default is continuing) the Borrower shall provide a certificate to the Banker setting out in reasonable detail the book value of any assets disposed of under this Clause 12.1.8.5 (calculated in accordance with GAAP) or

12.1.8.6 involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this Clause 12.1.8.6 shall not in any way prejudice the rights of the Finance Parties under Clause 11.1.13 (*UMC Litigation*)).

When calculating the Borrower's Total Assets under Clause 12.1.8.5 above if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by and reasonably satisfactory to the Banker

Merger

12.1.9 The Borrower shall not enter into or become subject to any consolidation or reorganisation whether by way of merger (*sliyaniye obschestva*) company accession (*prisoedinyeniye obschestva*) company division (*razdelenie obschestva*) company separation (*vydelyeniye obschestva*) company transformation (*preobrazovaniye obschestva*) company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction other than a consolidation or merger with one of its Subsidiaries where the Borrower is the surviving entity

12.1.10 The Borrower shall ensure that no Significant Subsidiary will enter into or become subject to any consolidation or reorganisation whether by way of merger (*sliyaniye obschestva*) company accession (*prisoedinyeniye obschestva*) company division (*razdeleyeniye obschestva*) company separation (*vydelyeniye obschestva*) company transformation (*preobrazovaniye obschestva*) company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise or any analogous transaction in any jurisdiction if such reorganisation or transaction would in the opinion of the Banker (acting reasonably) have a Material Adverse Effect.

Change of business

12.1.11 The Borrower shall procure that no substantial change is made to the general nature of the business of the Borrower or the Group from that carried on at the date of this Agreement

Conduct of business

12.1.12 The Borrower shall and shall procure that each of its Significant Subsidiaries will conduct its business in all material respects in accordance with

12.1.12.1 all Telecommunications Laws to which it is or may become subject

12.1.12.2 all requirements of the telecommunications regulators of the Russian Federation Ukraine and any other jurisdiction where it conducts its business and

12.1.12.3 the terms of all relevant Telecommunications Authorisations.

Asset maintenance

12.1.13 The Borrower shall and shall procure that each of its Significant Subsidiaries will have and maintain good and marketable title to or valid leases or licences of or rights of use relating to all assets necessary to maintain develop and operate and otherwise conduct its business as then being conducted by it and in each case where failure to do so might reasonably be expected to have a Material Adverse Effect

Insurance

12.1.14 The Borrower shall (and shall ensure that each other member of the Group will) maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks and to the extent usually insured against by prudent companies located in the same or a similar location and carrying on a similar business

Transactions with Related Parties

12.1.15 The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) directly or indirectly enter into or permit to exist any intercompany loan with, or for the benefit of any Related Party unless

12.1.15.1 the terms of such intercompany loan are no less favourable to such member of the Group than those that could be obtained in a comparable arm's-length transaction or series of related transactions with a person that is not a Related Party or

12.1.15.2 such intercompany loan is made pursuant to a contract or contracts existing on the date of this Agreement (excluding any amendments or modifications thereto after the date of this Agreement),

provided that the aggregate outstanding amount of all such intercompany loans described in Clauses 12.1.15.1 and 12.1.15.2 above does not at any time exceed \$100,000,000

12.1.16 Clause 12.1.15 above does not apply to

12.1.16.1 compensation or employee benefit arrangements with any officer or director of any member of the Group arising out of any employment contract entered into in the ordinary course of business or

12.1.16.2 transactions between members of the Group

12.1.17 For the purposes of Clauses 12.1.15 and 12.1.16 only a "Related Party" means with respect to any specified person

12.1.17.1 any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person or

12.1.17.2 any other person who is a director or executive officer of (a) such specified person or (b) any person described in Clause 12.1.17.1 above

For purposes of the definition of “**Related Party**” only, “**control**” (including with correlative meanings the terms “**controlling**” “**controlled by**” and “**under common control with**”) as used with respect to any person shall mean the possession directly or indirectly of the power to direct or cause the direction of the management or policies of such person whether through the ownership of voting securities by agreement or otherwise; provided that beneficial ownership of 10 per cent. or more of any class or any series of any class of equity securities of a person whether or not voting shall be deemed to be control

Restriction on acquisitions

12.1.18 The Borrower shall not establish or acquire any Subsidiary or invest in any other entity without the consent of the Banker (such consent not to be unreasonably withheld) provided that this Clause 12.1.18 shall not apply to any such acquisition or investment where

12.1.18.1 such acquisition or investment relates to a Subsidiary or entity whose principal business is telecommunications or the provision of data services or related or ancillary businesses and

12.1.18.2 the consideration paid by the Borrower in relation to such acquisition or investment, when aggregated with the consideration paid by the Borrower in relation to each other acquisition or investment permitted under this Clause 12.1.18.2 does not exceed 20 per cent. of the Borrower’s Total Assets in any financial year of the Borrower

Prompt payment of Taxes

12.1.19 The Borrower shall (and shall ensure that each Significant Subsidiary will) duly pay all Taxes payable by it other than (a) those taxes

which are being contested in good faith and by appropriate proceedings and in respect of which adequate reserves or other appropriate provisions have been made or (b) whose amount does not exceed \$25,000,000 (or its equivalent in any other currencies)

Pari passu

12.1.20 The Borrower shall procure that its obligations under this Agreement rank at least *pari passu* with all its other unsecured unsubordinated obligations save where such other obligations are mandatorily preferred by law

Loans and guarantees

12.1.21 The Borrower shall not (and the Borrower shall ensure that no member of the Group will)

12.1.21.1 make any loan, or provide any form of credit or financial accommodation, to any person (including without limitation its employees shareholders another member of the Group and any Affiliate) or

12.1.21.2 give or issue any guarantee indemnity bond or letter of credit to or for the benefit of or in respect of liabilities or obligations of any other person or voluntarily assume any liability (whether actual or contingent) of any other person (including, in each case and without limitation its employees shareholders another member of the Group and any Affiliate)

12.1.22 The restrictions in Clause 12.1.21 above do not apply to (i) loans credits financial accommodation guarantees indemnities bonds and letters of credit expressly permitted by this Agreement (if any) or for normal trade credit on arm's length terms and in the ordinary course of business or granted by a member of the Group to another member of the Group provided that the aggregate amount of such loans credits financial accommodation guarantees indemnities bonds and letters of credit does not at any time exceed 10 per cent. of the Borrower's Total Assets (ii) guarantees by the Borrower in relation to the obligations of any other member of the Group or (iii) the arrangements

permitted under Clauses 12.1.15 and 12.1.16 (*Transactions with Related Parties*)

Financial statements

12.1.23 The Borrower shall supply to the Banker and ECGD

12.1.23.1 as soon as the same becomes available but in any event within 180 days after the end of each of its financial years its audited consolidated and non-consolidated financial statements for that financial year and

12.1.23.2 as soon as the same becomes available but in any event within 45 days after the end of each of its financial quarters its unaudited consolidated and non-consolidated financial statements for that financial quarter

12.1.24 The Borrower undertakes promptly upon the occurrence of an Event of Default as specified in Clauses 11.1.3 to 11.1.13 to notify the Banker thereof specifying all relevant details

12.2 The Borrower hereby covenants and agrees that the Borrower shall and shall procure that the Supplier shall obtain all necessary consents licences permits and authorisations and fulfil all conditions of all governmental and other authorities in the Russian Federation in respect of the purchase and import of the Eligible Goods to be supplied and the Eligible Services to be rendered to the Borrower in accordance with the terms of the relevant Approved Contract and the payment therefor in dollars in New York. The Borrower further agrees that the liability of the Borrower to make payment to the Banker under this Agreement is in no way conditional upon the performance by the Borrower (or any agent appointed by it, including the Moscow Bank for Reconstruction and Development) of its undertaking or obligations under the law of the Russian Federation to obtain such authorisation (including any deal passport that may be required)

12.3 The Borrower represents that it is not required under the law of the Russian Federation to make any deduction for or on account of Tax from any payment it may make under this Agreement to a Qualifying Lender

12.4 The Borrower represents that neither it nor any of its Significant Subsidiaries has overdue tax liabilities other than tax liabilities (a) whose amount applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves or other appropriate provision has been made or (b) whose amount together with all such other unpaid or undischarged taxes does not exceed in aggregate exceed \$25,000,000 (or its equivalent in any other currencies)

12.5 The Borrower makes the representations set out in Clauses 12.3 and 12.4 on the date of this Agreement. Such representations are also deemed to be made by the Borrower by reference to the facts and circumstances then existing on each date that an Application for Approval is submitted to the Banker by the Borrower in relation to a Supply Contract (other than Contract No. 1)

13 THE FUNDING AND BENEFIT OF THE AGREEMENT

13.1 The Commitment shall terminate if the introduction of a new law or regulation or a change in any applicable law or regulation or in the interpretation thereof by a court or tribunal or by any authority charged with the administration thereof shall make it illegal for the Banker to fulfil its obligations hereunder

13.2 ECGD may at any time terminate the Commitment by giving to the Banker notice in writing of such termination specifying the date on which the Commitment shall terminate and thereafter the Banker shall have no further liability to make Advances

13.3 The Banker may at any time (with the prior written consent of ECGD and subject to Clause 13.6 the Borrower (such consent not to be

unreasonably withheld or delayed)) assign to any Eligible Bank all or any part of its rights and benefits hereunder. Any such assignment shall be in a minimum amount of \$5,000,000 (except in the case of an assignment which has the effect of reducing the Banker's participation in the Loan Facility to zero). The Borrower's consent to an assignment or transfer by the Banker shall not be required if such transfer or assignment is to an Affiliate of the Banker

13.4 The Banker may at any time (with the prior written consent of ECGD) assign to ECGD all part of its rights and benefits hereunder

13.5 ECGD may at any time assign all or any part of its rights and benefits hereunder to any Eligible Bank

13.6 The Borrower hereby authorises the Banker to accept on its behalf notice in writing of any assignment of rights and benefits made in accordance with Clause 13.5

13.7 The consent of the Borrower to an assignment of rights under Clause 13.3 shall not be required if an Event of Default shall have occurred and remains unremedied

13.8 ECGD shall be entitled to make whatever arrangements it shall deem appropriate to procure dollars to enable it to fulfil its obligations but any such arrangements shall not affect the rights benefits and obligations of the Borrower

13.9 If the Commitment shall terminate in accordance with Clause 13.1 or 13.2 or if there shall be any assignment of the rights or benefits of the Banker to ECGD or any assignment of the rights and benefits of ECGD to an Eligible Bank the Banker shall inform the Borrower thereof but the Borrower shall notwithstanding having received such information continue to make payment of all sums due under this Agreement through the Banker in the manner provided hereunder and any failure by the Banker to inform

the Borrower thereof shall not in any way affect the rights benefits or obligations of any person hereunder

13.10 The Borrower shall not assign or transfer any of its rights benefits or obligations hereunder

14 TAXES

14.1 All payments to be made by the Borrower hereunder shall be made without any Tax Deduction, unless a Tax Deduction is required by law

14.2 The Borrower agrees to pay or cause to be paid directly to the appropriate governmental authority and reimburse the Banker and/or ECGD for the cost of any and all present and future Taxes levied or imposed by that authority on or in respect of any right obligation or action granted imposed or undertaken pursuant to this Agreement

14.3 If the Borrower is prohibited by operation of law from making payments without any Tax Deduction pursuant to Clause 14.1 or from paying causing to be paid or reimbursing any Finance Party for the cost of all Taxes pursuant to Clause 14.2 then the payment due to such Finance Party under this Agreement shall be increased to ensure that after such Tax Deduction or payment of such Taxes that Finance Party receives a net sum equal to the sum which it would have received and to which it would have been entitled had no such Tax Deduction or payment been required

14.4 If the Borrower must make payments for Tax as provided for in this Clause 14 then the Borrower shall confirm to the Banker and/or ECGD that all such Taxes have been paid by forwarding to the Banker and/or ECGD within 30 days after payment an official receipt or such other documentary evidence as is acceptable to the Banker and/or ECGD acting reasonably

14.5 Clause 14.2 shall not apply:

14.5.1 with respect to any Tax assessed on a Finance Party

14.5.1.1 under the law of the jurisdiction in which that Finance Party is incorporated or if different the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes or

14.5.1.2 under the law of the jurisdiction in which that Finance Party's facility office is located in respect of amounts received or receivable in that jurisdiction

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party or

14.5.2 to the extent a loss liability or cost

14.5.2.1 is compensated for by an increased payment under Clause 14.3 or

14.5.2.2 would have been compensated for by an increased payment under Clause 14.3 but was not so compensated solely because one of the exclusions in Clause 14.5 applied

14.6 The Borrower is not required to make an increased payment to a Finance Party under Clause 14.3 if on the date on which the payment falls due the Borrower could have made such a payment to that Finance Party without a Tax Deduction if that Finance Party was a Qualifying Lender but on that date that Finance Party is not or has ceased to be a Qualifying Lender (other than as a result of any change after the date it became a Finance Party in (or in the interpretation administration or application of) any

law or treaty or any published practice or concession of any relevant taxing authority)

14.7 If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

14.7.1. a Tax Credit is attributable to that Tax Payment and

14.7.2. that Finance Party has obtained utilised and retained that Tax Credit

that Finance Party shall promptly pay an amount to the Borrower which that Finance Party determines will leave the Finance Party (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Borrower

14.8 ECGD is not a Finance Party for the purposes of Clauses 14.5 to 14.7 inclusive

15 INCREASED COSTS

15.1 If after the date of this Agreement a Finance Party incurs or becomes aware that it will in the immediate future incur an increase in the cost of making Advances and/or maintaining the Loan as a result of:

15.1.1 the introduction of or any change in or in the interpretation of any law or regulation and/or

15.1.2 compliance with a request from any central bank or other fiscal or monetary authority

(an "Increased Cost")

the Borrower shall upon receipt of written notice from the Banker on behalf of itself or ECGD specifying the event giving rise to such increase and estimating the amount of such increase in respect of any Advances to be made by the Banker or ECGD and/or in respect of maintaining the Loan pay as hereinafter provided the amount of the increase in costs incurred by the Banker or ECGD in making Advances and/or maintaining the Loan

15.2 The Banker on behalf of itself or ECGD shall as soon as practicable certify to the Borrower the amount of such increase in costs incurred for the period from and including the date on which such increase in costs was first incurred to the Interest Due Date following the receipt by the Borrower of a notice in accordance with Clause 15.1 and supply with each such certificate a copy of the calculations made by itself or ECGD to determine the amount specified

15.3 Notwithstanding the Borrower's obligation to pay the Banker or ECGD pursuant to this Clause the Banker shall within a reasonable time after it has become aware of the same consult with the Borrower and ECGD with a view to exploring possible ways to minimise such increased costs

15.4 On the Interest Due Date specified in Clause 15.2 and on each subsequent Interest Due Date the Borrower shall pay to the Banker by an increase to the Margin the amount of such increase in costs certified as aforesaid. If any certificate is received by the Borrower less than 15 days before an Interest Due Date the amount certified shall not be paid until the Interest Due Date next following that Interest Due Date

15.5 Clause 15.1 does not apply to the extent that any Increased Cost is:

15.5.1 attributable to a Tax Deduction required by law to be made by the Borrower

15.5.2 compensated for by Clause 15.2 (or would have been compensated for under Clause 15.2 but was not so compensated)

solely because any of the exclusions in Clause 15.5 applied)

15.5.3 compensated for by the payment of the Mandatory Cost; or

15.5.4 attributable to the wilful breach by the Banker or its Affiliates of any law or regulation

- 15.6 The Banker shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to Clause 14 or Clause 15, including (but not limited to) transferring its rights and obligations under this Agreement to another Affiliate or facility office. This Clause 15.6 does not in any way limit the obligations of the Borrower under this Agreement
- 15.7 The Borrower shall indemnify the Banker for all costs and expenses reasonably incurred by the Banker as a result of steps taken by it under Clause 15.6
- 15.8 The Banker is not obliged to take any steps under Clause 15.6 if in the opinion of the Banker(acting reasonably), to do so might be prejudicial to it.

16 EXPENSES

The Borrower shall pay on demand to the Banker in the currency and in the manner specified by the Banker :-

- 16.1 all amounts whatsoever which the Banker or ECGD may expend or become liable for in demanding suing for recovering and receiving payment of any sum due to the Banker or ECGD hereunder and under any documents executed pursuant hereto and

16.2 the legal charges reasonably and properly incurred in the UK by the Banker in connection with the preparation and due execution of this Agreement and all documents executed hereunder and in connection with the fulfilment of the conditions specified in Clause 5 (subject to an aggregate cap of \$15,000)

17 COMMISSIONS

17.1 The Borrower shall pay the Banker an arrangement fee of 0.40% flat on the original Committed Facility Amount with a minimum fee of \$85,000 payable on the date of this agreement

17.2 The Borrower shall pay the Banker an additional arrangement fee of 0.40% flat on each Additional Committed Facility Amount within 5 Business Days from the issuance of a Notice of Approval in relation to the relevant Supply Contract PROVIDED THAT such additional arrangement fee shall be payable only once in relation to each Additional Committed Facility Amount

17.3 The Borrower shall pay the Banker a commitment fee of 0.175% per annum payable quarterly in arrear during the Availability Period and on the last day of the Availability Period on the undrawn portion of the Committed Facility Amount

18 FINANCE CHARGE

18.1 The Borrower shall pay to ECGD the sum of \$2,180,544.33 due in respect of Contract No. 1 as follows

18.1.1 \$10,000 on signature of this Agreement which will constitute an administrative charge which will not be refunded in any event

18.1.2 \$2,170,544.33 representing the balance of the Finance Charge due in respect of Contract No. 1 within the validity period of the

Approval in Principle and before the first Advance is made in accordance with Clause 9.2

18.2 If the Borrower wishes to use the Additional Facility to assist the financing of further contracts entered into with the Supplier pursuant to Recital (1) then the Borrower shall pay an Additional Finance Charge in respect of each Approved Contract. The amount of such Additional Finance Charge shall be notified by the Banker to the Borrower in the relevant Approval in Principle and be paid to ECGD within the validity period of such Approval in Principle and before the first Advance is made in relation thereto in accordance with Clause 9.3

18.3 All amounts payable to ECGD under this Clause 18 shall be paid in dollars to

Account Number: 000142794

Account Name: Export Credits Guarantee Dept

SWIFT Address: MRMDUS33

Federal Reserve Routing Number: 021001088

Bank Name and Address:

HSBC Bank USA
452 Fifth Avenue
New York, NY 10005

Quoting reference "ECGD - Premium BD1/RUSSIA/18367/1"

19 SUMS ON DEPOSIT

19.1 All moneys held by the Banker under the terms of this Agreement which are not to be applied by the Banker in accordance with such terms within one day of the date of their receipt shall be placed by the Banker on deposit as soon as possible after receipt and interest shall be payable thereon at the Banker's usual rate from time to time for deposits of a similar amount and nature. The interest accruing on all moneys held on deposit under this Agreement shall be applied in the manner specified in Clause 10.1

19.2 If any amounts to be held and applied by the Banker under the terms of this Agreement are received in a currency other than dollars such amounts shall be sold for dollars by the Banker in the London foreign exchange market as soon as practicable after receipt by the Banker

20 LAW

This Agreement shall be governed by and construed in accordance with English law

21 ARBITRATION

21.1 Subject to Clause 21.7, any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "Dispute") shall be referred to and finally resolved by arbitration under the Arbitration Rules (the "Rules") of the London Court of International Arbitration (the "LCIA Court").

21.2 The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court within 15 days of the appointment of the second arbitrator.

21.3 In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court within 15 days of such failure who shall designate one of them as chairman.

21.4 If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court within 15 days of such agreement.

21.5 The seat of arbitration shall be London, England and the language of the arbitration shall be English.

21.6 Save as provided in Clause 21.7, the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

21.7 Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Banker may (and, if so instructed by ECGD, shall) by notice in writing to the Borrower require that all Disputes or a specific Dispute be heard by a court of law. If the Banker gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 22.

22 JURISDICTION

22.1 The Borrower hereby agrees that any legal action or proceedings arising out of or in connection with this Agreement may be brought in the High Court of Justice in England and the Borrower irrevocably submits to the jurisdiction of such court and agrees that any writ judgement or other notice of legal process shall be sufficiently served in connection with proceedings in England if delivered to Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX or any other person in England duly authorised by the Borrower to receive the same

22.2 Submission to such jurisdiction shall not prevent the Banker or ECGD or either of them from taking proceedings against the Borrower in whatever jurisdiction it or they shall think fit nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction whether concurrently or not

22.3 If in any jurisdiction in which proceedings are being taken in connection with this Agreement the Borrower has the power to claim for itself or its assets immunity from suit or other legal process or if the court may of its own motion grant such immunity to the Borrower or its assets the Borrower hereby irrevocably undertakes not to claim and hereby irrevocably waives such immunity and consents generally to the giving of any relief or the issue of any process in connection with such proceedings including without limitation the making enforcement or execution against any property whatever of any order or judgement which may be made or given in such proceedings

22.4 If for the purpose of obtaining or enforcing judgement in any court it is necessary to convert a sum due hereunder in dollars into another currency ("the second currency") the rate of exchange which shall be applied shall be that at which in accordance with normal banking procedures the Banker could purchase dollars with the second currency on the Business Day preceding that on which final judgement is given. The obligation of the Borrower in respect of any such sum due hereunder shall notwithstanding any judgement in the second currency and notwithstanding the rate of exchange actually applied in giving such judgement be discharged only to the extent that on the Business Day following receipt by the Banker of any sum adjudged to be due hereunder in the second currency the Banker may in accordance with normal banking procedures purchase wherever the Banker shall deem appropriate dollars with the amount of the second currency so received and if the dollars so purchased fall short of the sum originally due in dollars the Borrower agrees as a separate obligation and notwithstanding any such judgement to indemnify the Banker and/or ECGD as the case may be in accordance with their respective entitlements against such deficiency

23 ALTERATION TO APPROVED CONTRACTS

23.1 Unless ECGD shall otherwise elect the obligation of the Banker and/or ECGD to make Advances hereunder in respect of any Approved

Contract shall cease if any alteration of or amendment to or departure from the terms of that Approved Contract is made or agreed without the consent in writing of the Banker the Borrower and ECGD

23.2 For the purposes hereof the expression “alteration of or amendment to or departure from the terms of that Approved Contract” shall not include any variation of the technical specifications or scope of Eligible Goods to be supplied or in the scope of Eligible Services to be rendered under the Approved Contract unless such variation would increase the total amount payable under that Approved Contract or would involve a material change in the scope or objects of that Approved Contract or a change in the details of that Approved Contract as described in the Application for Approval

24 NOTICES AND DEMANDS

24.1 In addition to the modes of service of documents prescribed by the laws of the country of the addressee notices and demands to be given or made to or of any party hereto may be sent by telex facsimile transmission internationally recognised courier acceptable to the Banker or first class prepaid mail (registered airmail if overseas) and shall be addressed:-

If to the Borrower as follows:-

Open Joint Stock Company Mobile TeleSystems
Ul. Vorontsovskaya 5, Bldg. 2
109147 Moscow
Russian Federation
Fax: +007 (095) 911 6531

Attention: Tatiana Evtoushenkova/Elena Zharikova

If to the Banker as follows:-

Barclays Capital
5 The North Colonnade

Canary Wharf
London E14 4BB
Fax: +44 (0) 2077731831

Attention: Roger Wright

If to ECGD as follows:-

The Manager
Guarantee & Policy Administration Division
ECGD, PO Box 2200
2 Exchange Tower
Harbour Exchange Square
London E14 9GS
Fax: 020 7512

or to such other address facsimile or telex number as such party designates in writing

24.2 In the case of notices and demands sent by telex or facsimile transmission a copy thereof shall be sent by first class prepaid mail (registered airmail if overseas) addressed as aforesaid not later than the first business day in the country of the sender following the day on which such telex or facsimile transmission was sent

24.3 Notices and demands and copies thereof shall be deemed to have been received in the case of telex or facsimile transmission or inland mail one business day in the country of the addressee and in the case of courier or registered airmail 7 business day(s) in the country of the addressee after they have been sent

24.4 Any facsimile or telex instructions received by the Banker purporting to be given by an authorised officer of the Borrower and believed by the

Banker to be genuine shall have the same validity as a written instruction duly signed by an authorised officer of the Borrower

25 MISCELLANEOUS

25.1 If at any time any provision of this Agreement is or becomes illegal invalid or unenforceable in any respect under the law of any jurisdiction neither the legality validity or enforceability of the remaining provisions hereof nor the legality validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby

25.2 For the avoidance of doubt the parties to this Agreement do not intend that any of the terms of this Agreement should be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to this Agreement

25.3 This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been signed on behalf of the parties hereto by persons duly authorised in that behalf the day and year first above written

SIGNATURE PAGE

The Borrower

OPEN JOINT STOCK COMPANY MOBILE TELESYSTEMS

By: _____
Name:
Title:

By: _____
Name: R. Kolomiets
Title: Chief Accountant

The Banker

BARCLAYS BANK PLC

By: _____
Name:
Title:

By: _____
Name: R. Kolomiets
Title: Chief Accountant

ECGD

HER BRITANNIC MAJESTY'S SECRETARY OF STATE
(acting by the **EXPORT CREDITS GUARANTEE DEPARTMENT**)

By: _____
Name:
Title:

By: _____
Name: R. Kolomiets
Title: Chief Accountant

APPENDIX A

o: The Banker

Date:

[Address]

Serial No:

Dear Sirs,

APPLICATION FOR APPROVAL OF A CONTRACT FOR FINANCING UNDER LOAN AGREEMENT BETWEEN US AND ECGD DATED []

1 We give you below

a details of a contract/contract under negotiation*

b revised details of a contract/contract under negotiation* (previously notified on our Serial No. [])

and invite you to agree that the contract shall be financed under the terms of the above-mentioned Loan Agreement

2 The details of the said contract are as follows:-

a Name and address of UK Supplier

b Detailed description of UK Goods

c Description of UK Services

d Contract price of UK Goods \$

e	Contract price of UK Services	\$
f	Total of d and e	\$
g	Detailed description of non-UK Goods	
h	Description of non-UK Services	
i	Contract price of non-UK Goods	\$
j	Contract price of non-UK Services	\$
k	Total of i and j	\$

l Terms of Payment:-

m Estimated programme of delivery of goods and performance of services

	UK Goods	Non-UK Goods	UK Services	Non-UK Services
--	----------	--------------	-------------	-----------------

Commence
Complete

3 We understand that:

*a the goods to be supplied under this contract will be usable on delivery and the date by which it is estimated that 50 per cent. by value of the Eligible Goods will have been supplied is []

*b the plant or equipment will not be usable until final delivery of all the parts thereof

*c the Supplier is responsible for installation of the goods and completion of installation is estimated at [] months from contract

*d the date by which it is estimated that 50 per cent. by value of the Eligible Services will have been rendered is []

4 We propose that Reimbursement Claims in respect of the Eligible Value of the contract shall be made by us to you in the form set out in Appendix E(1) to the Loan Agreement

5 We propose that Reimbursement Claims in respect of the Finance Charge or Additional Finance Charge shall be made by us to you in the form set out in Appendix E(2) to the Loan Agreement

6 We confirm that all contract prices are denominated in dollars and the figures quoted above are the offer prices and are not derived from the conversion by us of any other currency into dollars

Yours faithfully

For and on behalf of
[the Borrower]

Borrower's Signatory

* delete or complete as appropriate

APPENDIX B

APPROVAL IN PRINCIPLE

To: The Borrower

Date:

Copied to: [The Supplier]

Dear Sirs

1 We refer to your Application for Approval Serial No [] dated []

2 The contract described in your application is provisionally approved by us for financing under the Loan Agreement made between us and ECGD on [] 2005] and we are willing to make available a total sum of \$[] subject to the conditions of Clause 5 of the Loan Agreement having been fulfilled

3 The Eligible Value of the contract is \$ []

4 The Finance Charge/Additional Finance Charge* is \$ []

5 The Financed Percentage is [] 85 per cent.

6 The repayment terms acceptable to us are as follows:

Amount of each Semi-annual	Due Date of each Semi-annual	Instalment	Instalment
----------------------------	------------------------------	------------	------------

7 The Reimbursement Claims in respect of the Eligible Value of the contract shall be made by you to us in the form set out in Appendix E(1) to the Loan Agreement

8 The Reimbursement Claims in respect of the Finance Charge or Additional Finance Charge shall be made by you to us in the form set out in Appendix E(2) to the Loan Agreement

9 Upon receipt of your unqualified acceptance in writing of the terms of this Approval in Principle and upon the fulfilment to our satisfaction of the conditions specified by Clause 5.5 of the Loan Agreement we will send you a Notice of Approval

10 This Approval in Principle will lapse on the date which is 90 days after the date hereof or 27 months from the date of signature of the Loan Agreement whichever is the earlier unless a Notice of Approval has by then been issued or unless otherwise agreed by us in writing

Yours faithfully

For and on behalf of [the Banker]

* delete as appropriate

APPENDIX C

NOTICE OF APPROVAL

To: The Borrower

Date:

[Address]

copied to [the Supplier]

LOAN AGREEMENT DATED

Reference - Serial No:

Contract between [Supplier]
and [Borrower]

Eligible Value: \$

Financed Percentage 85%

1 Notice is hereby given that the contract specified above is approved by us in accordance with the provisions of Clause 7.3 of the above mentioned Loan Agreement the conditions set out in Clause 5.5 thereof in relation to that contract having been fulfilled to our satisfaction

2 We confirm that against presentation of your Reimbursement Claim referred to in Clause 8 of the above Loan Agreement we shall make payments to you in accordance with the terms of that Loan Agreement

Yours faithfully

For and on behalf of [the Banker]

APPENDIX D

LETTER OF INSTRUCTION

(dated)

[Addressed to the Supplier]

Dear Sirs

Until you shall have been informed in writing by [name of the Banker] that all Advances made in accordance with the terms of the Loan Agreement made between [the Banker] and [the Borrower] and ECGD dated the day of as amended from time to time have been repaid with interest that no Advance remains to be made and that no sum remains to be paid in accordance with the terms of the said Loan Agreement we hereby irrevocably instruct you to pay to [name of the Banker] all sums which you may become due to pay to us in connection with the contract approved by the Banker for financing under Approval in Principle serial number [] dated []

For and on behalf of
[Borrower]

APPENDIX E (1)

REIMBURSEMENT CERTIFICATE (ELIGIBLE GOODS AND/OR ELIGIBLE SERVICES)

TO: [the Banker]

Serial No:

Loan Agreement dated:

Supply Contract between [Borrower] and [Supplier] dated [] (“the Supply Contract”)

1 We certify that [further] payments totalling \$ have been made to the above Supplier under the above Supply Contract and attach the Supplier’s Receipt(s) in respect of Eligible Goods delivered and/or associated Eligible Services rendered
(Note: the figures provided should clearly differentiate between amounts claimed for goods and those relating to services)

2 The amount due to be reimbursed under the terms of the Loan Agreement and for which we hereby claim is \$ being 85% of the payments specified in paragraph 1 above. The amount to be reimbursed hereby when added to any previous amounts reimbursed in respect of this Supply Contract will not exceed the Loan Facility

3 The amount claimed in paragraph 2 above does not include any sum which is not permitted to be financed using the Loan Facility

Signed
For and on behalf of the Borrower

[Borrower’s Signatory]

APPENDIX E(2)

REIMBURSEMENT CERTIFICATE (ECGD FINANCE
CHARGE/ADDITIONAL FINANCE CHARGE)

To: [Addressed to the Banker]
Copied to ECGD

Serial No:

Loan Agreement dated:

Supply Contract between ourselves and [Supplier] dated [] (“the Supply Contract”)

1 We certify that we have paid to ECGD the sum of \$[] being [the balance of the Finance Charge]* [the Additional Finance Charge]* due in respect of the above Supply Contract and which is payable pursuant to [Clause 18.1.2]*[Clause 18.2]* of the Loan Agreement.

2 We understand that upon your receiving from ECGD a duly completed ECGD Finance Charge/Additional Finance Charge Receipt in respect of the sum specified at paragraph 1 above you will make a corresponding Advance to us of 85% of such amount in accordance with Clause 9.5 of the Loan Agreement

3 We hereby claim reimbursement of 85% of the sum specified in paragraph 1 above and confirm that:

3.1 the amount to be reimbursed hereby when added to any amounts already reimbursed in respect of Approved Contracts will not exceed the Loan Facility and

3.2 the amount claimed above does not include any sum in respect of the direct payment referred to in Clause 18.1.1 of the Loan Agreement

Signed
For and on behalf of the Borrower

[Borrower's Signatory]

* delete as appropriate

APPENDIX F

SPECIMEN SUPPLIER'S RECEIPT

To: [Borrower]

[Date]

Serial No:

Supply Contract between ourselves and

[Borrower] dated

We acknowledge the receipt of the following payment(s) from you in respect of sums due to us under the terms of the above mentioned Supply Contract. The payments are in respect of delivered goods that have been produced or manufactured in the United Kingdom of Great Britain and Northern Ireland or the Channel Islands or the Isle of Man or in respect of services rendered by persons ordinarily resident or ordinarily carrying on business in those territories and/or such other goods and services as have been approved by the Banker for financing

<u>Dates of Payment Receipt</u>	<u>Goods/Services</u>	<u>Amount</u>
		\$
		\$
		\$
	TOTAL	\$

(Note: the figures provided should clearly differentiate between amounts claimed for goods and those relating to services and the date of each individual payment received should be shown)

We hereby warrant that all necessary approvals (if any) including export licences in respect of the UK Goods and/or the UK Services supplied and/or rendered in accordance with the Supply Contract have been obtained in the UK and have not been withdrawn and that all necessary approvals (if any) including export

licences in respect of other goods and/or services supplied and/or rendered in accordance with the Supply Contract have been obtained in the country of origin of those goods and/or services and have not been withdrawn

Yours faithfully
For and on behalf of
[The Supplier]

[Supplier's Signatory]

APPENDIX G

MANDATORY COST FORMULA

1. The Mandatory Cost is an addition to the interest rate to compensate the Banker for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Banker shall calculate, as a percentage rate, a rate (the “**Additional Cost Rate**”) in accordance with the paragraphs set out below.
3. The Additional Cost Rate for the Banker if lending from a Facility Office in a Participating Member State will be the percentage notified by the Banker to the Borrower as being its reasonable determination of the cost of complying with the minimum reserve requirements of the European Central Bank in respect of Loans made from that Facility Office.
4. The Additional Cost Rate of the Banker if lending from a Facility Office in the United Kingdom will be calculated by the Banker as follows:

$$\frac{A \times 0.01}{300} \text{ per cent per annum.}$$

Where:

- A is designed to compensate the Banker for amounts payable under the Fees Rules and is calculated as the rate of charge payable by the Banker to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose, by the Banker as being the average of the Fee Tariffs applicable to the Banker for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of the Banker.
5. For the purposes of this Schedule:
 - (a) “**Fees Rules**” means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (b) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (c) “**Tariff Base**” has the meaning given to it in the Fees Rules.

6. In application of the above formula, the resulting figures shall be rounded to four decimal places.
7. The Banker may from time to time, after consultation with the Borrower, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.
8. The Mandatory Cost shall not apply to any Loans made by ECGD.

APPENDIX H

SPECIMEN ECGD FINANCE CHARGE/ADDITIONAL FINANCE CHARGE RECEIPT

To: [Addressed to the Banker]

[Date]

For the attention of

Serial No:

ECGD reference no: BD1/RUSSIA/18367/1

Dear Sirs

Loan Agreement entered into between OJSC Mobile TeleSystems, Barclays Bank PLC and Export Credits Guarantee Department dated the day of

[Supply Contract details]

1 We refer to the Approval in Principle dated , Serial No:[], issued by the Banker in respect of [Contract No.1]* [a Supply Contract approved for financing under the Additional Facility]*

2 We hereby acknowledge receipt of the amount of \$[] on [date of payment receipt] representing [the balance of the Finance Charge due in accordance with Clause 18.1.2]* [the Additional Finance Charge due in accordance with Clause 18.2]* in respect of the Approved Contract

Yours faithfully

For the EXPORT CREDITS GUARANTEE DEPARTMENT

[name and title of underwriter]

* delete as appropriate

DOC 24 Header

AMENDMENT AGREEMENT

Dated 12 December 2005

relating to a

LOAN AGREEMENT

Dated 15 February 2005

For

OPEN JOINT STOCK COMPANY MOBILE TELESYSTEMS
as Borrower

with

BARCLAYS BANK PLC
as Banker

and

HER BRITANNIC MAJESTY'S SECRETARY OF STATE
(acting by the **EXPORT CREDITS GUARANTEE DEPARTMENT**)

as ECGD

THIS AMENDMENT AGREEMENT is dated 12 December 2005 **BETWEEN:**

- 1 Barclays Bank PLC (“the Banker”)** of 1 Churchill Place, London, E14 5HP;
- 2 Her Britannic Majesty’s Secretary of State acting by the Export Credits Guarantee Department (“ECGD”);** and
- 3 Open Joint Stock Company Mobile TeleSystems (“the Borrower”)** established and existing under the laws of the Russian Federation and having its registered office at 4 Marksistskaya Street, 109147 Moscow, Russian Federation.

WHEREAS:

(A)The parties to this Amendment Agreement are parties to a loan agreement dated 15 February 2005 (the **“Loan Agreement”**) in respect of a committed dollar loan facility of \$25,653,462.68 and an additional uncommitted dollar loan facility of up to \$64,346,537.32, each to assist the Borrower in making payments to the Supplier in respect of Approved Contracts.

(B)The parties to this Amendment Agreement wish to supplement and amend the Loan Agreement in the manner stated below.

IT IS AGREED as follows:

1. DEFINED TERMS

Terms defined in the Loan Agreement and not otherwise defined herein shall have the same meaning in this Amendment Agreement.

2. LOAN AGREEMENT

The parties hereto agree that the Loan Agreement shall be amended with effect from the date hereof as follows:

2.1 Recital 3

Recital 3 to be amended to read as follows:

“The Banker has agreed on the terms and conditions of this Agreement to advance to the Borrower the sum of \$25,653,462.68 to assist the financing of Contract No. 1 and the Finance Charge referred to in Clause 18.1 and an uncommitted additional facility of \$94,346,537.32 (or such other higher amount as may be agreed in writing by ECGD and the Banker) to assist the financing of the contracts referred to in Recital (1) and the Additional Finance Charge and”

2.2 Definitions

The following definitions in clause 1.1 shall be amended to read as follows:

“Additional Facility” means the additional uncommitted facility of \$94,346,537.32 or such other higher amount as may be agreed in writing by ECGD and the Banker (to the extent not cancelled or reduced in accordance with the terms of this Agreement)

“Margin” means

a in respect of the first Approved Contract Loan the sum of 15 basis points per annum; and

b in relation to any other Approved Contract Loan (including Contract No. 2) the sum of 13 basis points per annum

and any increase to the Margin pursuant to Clause 15.4

The following new definitions shall be inserted into Clause 1.1 of the Loan Agreement as follows

“Contract No. 1” means the contract between the Borrower and the Supplier dated 11 August 2004

“Contract No. 2” means the contract between the Borrower and the Supplier dated 17 December 2004

2.3 Clause 3.2

Clause 3.2 to be amended to read as follows:

“If the Banker has advanced \$25,653,462.68 to the Borrower under this agreement then the Borrower may request additional drawings under the Additional Facility for the purposes of financing additional Supply Contracts and the Additional Finance Charge due in respect thereof. The Borrower shall not consider the Banker to be under any obligation to lend funds under the Additional Facility. Any drawing agreed thereunder shall be at the sole discretion of the Banker”

2.4 Clause 7.4

Clause 7.4 to be amended to read as follows:

“7.4 Following the issuance of a Notice of Approval in relation to a new Supply Contract (which for the avoidance of doubt shall exclude Contract No. 1):

7.4.1 the Committed Facility Amount shall automatically be increased by the Financed Percentage of (i) the amount of such Supply Contract

and (ii) the amount of any Additional Finance Charge in respect thereof (together, the “Additional Committed Facility Amount”) and

7.4.2 the Additional Facility shall automatically be reduced by the Additional Committed Facility Amount

PROVIDED THAT nothing in this Agreement shall cause the Committed Facility Amount to exceed \$120,000,000.00 (or such higher amount as may be agreed in writing by ECGD and the Banker) at any time. The Borrower shall pay to the Banker the fees described in Clauses 17.2 and 17.3 and to ECGD the Additional Finance Charge described in Clause 18.2 with respect to any increase in the Committed Facility Amount”

2.5 Clause 14.8

Clause 14.8 to be deleted and replaced with the following:

“14.8 Within 20 Business Days of receipt by it of a written request from the Borrower, the relevant Finance Party shall use its reasonable efforts to provide to the Borrower a document issued by the relevant government authority in the jurisdiction of residence of such Finance Party confirming that it is a resident of that jurisdiction. The Borrower shall not be entitled to make more than one such request of any Finance Party in any calendar year.

14.9 At the written request of the Borrower (acting reasonably), each Finance Party shall use its reasonable efforts to provide any other documentation or information to the Borrower that may be reasonably necessary for the Borrower to establish a complete exemption from Russian withholding tax in relation to any payments the Borrower is required to make under this Agreement.

14.10 The Borrower shall promptly reimburse each Finance Party for any out-of-pocket costs and expenses reasonably and properly incurred by such Finance Party in complying with any written request made by the Borrower under Clause 14.8 or Clause 14.9.

14.11 ECGD is not a Finance Party for the purpose of Clauses 14.5 to 14.10 inclusive.”

2.5 Clause 17.2

Clause 17.2 to be amended to read as follows:

“The Borrower shall pay the Banker an additional arrangement fee of 0.33% flat on each Additional Committed Facility Amount (including for the avoidance of doubt Contract No. 2) within 5 Business Days from the issuance of a Notice of Approval in relation to the relevant Supply Contract PROVIDED THAT such additional arrangement fee shall be

payable only once in relation to each Additional Committed Facility Amount”

2.6 Clause 17.3

Clause 17.3 to be amended to read as follows:

“The Borrower shall pay the Banker a commitment fee of 0.065% per annum payable quarterly in arrear during the Availability Period and on the last day of the Availability Period on the undrawn portion of the Committed Facility Amount”

3. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to and for the benefit of the other parties hereto that the representations and warranties in Clauses 12.3 and 12.4 of the Loan Agreement are true as if made on the date of this Amendment Agreement and as if references to the Loan Agreement were references to this Amendment Agreement and that it has the power to enter into, that it has taken all necessary action to authorise the entry by it into this Amendment Agreement.

4. EFFECT

With effect from the date of this Amendment Agreement, the Loan Agreement shall be read and construed as one document with this Amendment Agreement.

5. INCORPORATION

5.1 Clause 21 (Arbitration), Clause 22 (Jurisdiction), Clause 24 (Notices and Demands) and Clause 25 (Miscellaneous) of the Loan Agreement shall apply to this Amendment Agreement, *mutatis mutandis*, as if set out in full herein, with references to “this Agreement” being construed as references to this Amendment Agreement.

5.2 This Amendment Agreement shall be deemed incorporated as part of the Loan Agreement.

5.3 The Loan Agreement, as amended by this Amendment Agreement, and every clause thereof shall continue in full force and effect.

6. LAW

This Amendment Agreement shall be governed by and construed in accordance with English law.

This Amendment Agreement has been entered into on the date stated at the beginning of this Amendment Agreement.

SIGNATORIES

The Borrower

OPEN JOINT STOCK COMPANY MOBILE TELESYSTEMS

By: _____

By: _____

Name:

Name:

Title:

Title:

The Banker

BARCLAYS BANK PLC

By: _____

Name:

Title:

ECGD

HER BRITANNIC MAJESTY'S SECRETARY OF STATE (acting
by the **EXPORT CREDITS GUARANTEE DEPARTMENT**)

By: _____

Name:

Title:



DOC 25 Header

EXECUTION COPY

Dated 26 July 2004

US\$500,000,000

FACILITY AGREEMENT

for

MOBILE TELESYSTEMS OPEN JOINT STOCK COMPANY

arranged by

**ABN AMRO BANK N.V.
HSBC BANK PLC
ING BANK N.V.
RAIFFEISEN ZENTRALBANK OESTERREICH AG**

as Original Mandated Lead Arrangers

and

**BANK AUSTRIA CREDITANSTALT AG
COMMERZBANK AKTIENGESELLSCHAFT**

as New Mandated Lead Arrangers

with

ING BANK N.V., LONDON BRANCH

acting as Agent

Linklaters CIS

Paveletskaya sq. 2, bld. 2
Moscow 115054

Telephone (7-095) 797 9797
Facsimile (7-095) 797 9798

Ref MIYB

CONTENTS

<u>CLAUSE</u>	<u>PAGE</u>
SECTION 1 INTERPRETATION	1
1 DEFINITIONS AND INTERPRETATION	1
SECTION 2 THE FACILITY	11
2 THE FACILITIES	11
3 PURPOSE	11
4 CONDITIONS OF UTILISATION	11
SECTION 3 UTILISATION	13
5 UTILISATION	13
SECTION 4 REPAYMENT, PREPAYMENT AND CANCELLATION	14
6 REPAYMENT	14
7 PREPAYMENT AND CANCELLATION	14
SECTION 5 COSTS OF UTILISATION	17
8 INTEREST	17
9 INTEREST PERIODS	18
10 CHANGES TO THE CALCULATION OF INTEREST	18
11 FEES	19
SECTION 6 ADDITIONAL PAYMENT OBLIGATIONS	21
12 TAX GROSS-UP AND INDEMNITIES	21
13 INCREASED COSTS	23
14 OTHER INDEMNITIES	24
15 MITIGATION BY THE LENDERS	25
16 COSTS AND EXPENSES	25
SECTION 7 REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT	27

17 REPRESENTATIONS	27
18 INFORMATION UNDERTAKINGS	30
19 FINANCIAL COVENANTS	33
20 GENERAL UNDERTAKINGS	34
21 EVENTS OF DEFAULT	38
SECTION 8 CHANGES TO PARTIES	44
22 CHANGES TO THE LENDERS	44
23 CHANGES TO THE BORROWER	46
SECTION 9 THE FINANCE PARTIES	47
24 ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGERS	47
25 CONDUCT OF BUSINESS BY THE FINANCE PARTIES	51
26 SHARING AMONG THE FINANCE PARTIES	51
SECTION 10 ADMINISTRATION	53
27 PAYMENT MECHANICS	53
28 SET-OFF	55
29 NOTICES	55
30 CALCULATIONS AND CERTIFICATES	56
31 PARTIAL INVALIDITY	57
32 REMEDIES AND WAIVERS	57
33 AMENDMENTS AND WAIVERS	57
34 COUNTERPARTS	58
SECTION 11 GOVERNING LAW AND ENFORCEMENT	59
35 GOVERNING LAW	59
36 ARBITRATION	59
37 JURISDICTION	60

SCEDULE 1 The Original Lenders	61
SCEDULE 2 Conditions precedent	62
SCEDULE 3 Utilisation Request	64
SCEDULE 4 Mandatory Cost formula	65
SCEDULE 5 Form of Transfer Certificate	67
SCEDULE 6 Form of Compliance Certificate	69

THIS AGREEMENT is dated 26 July 2004 and made between:

- (1) **MOBILE TELESYSTEMS OPEN JOINT STOCK COMPANY**, an open joint stock company established and existing under the laws of the Russian Federation and having its registered address at 4 Marksistskaya Street, 109147 Moscow, Russian Federation, as borrower (the “**Borrower**”);
- (2) **ABN AMRO BANK N.V., HSBC BANK PLC, ING BANK N.V. and RAIFFEISEN ZENTRALBANK OESTERREICH AG** as original mandated lead arrangers (the “**Original Mandated Lead Arrangers**”) and **BANK AUSTRIA CREDITANSTALT AG** and **COMMERZBANK AKTIENGESELLSCHAFT** as new mandated lead arrangers (the “**New Mandated Lead Arrangers**”) (together with the Original Mandated Lead Arrangers, the “**Mandated Lead Arrangers**”);
- (3) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 as lenders (the “**Original Lenders**”); and
- (4) **ING BANK N.V., LONDON BRANCH** as agent of the other Finance Parties (the “**Agent**”).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Additional Cost Rate**” has the meaning given to it in Schedule 4 (*Mandatory Cost formula*).

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

“**Availability Period**” means:

- (a) in relation to Facility 1, the period from and including the Signing Date to and including the date which is 30 days after the Signing Date; and
- (b) in relation to Facility 2, the period from and including 1 October 2004 to and including the date which is 80 days after 1 October 2004.

“**Available Commitment**” means, in relation to a Facility, a Lender’s Commitment under that Facility minus:

- (a) the amount of its participation in any outstanding Loans under that Facility; and
- (b) in relation to any proposed Utilisation, the amount of its participation in any Loans that are due to be made under that Facility on or before the proposed Utilisation Date.

“**Available Facility**” means, in relation to a Facility, the aggregate for the time being of each Lender’s Available Commitment in relation to that Facility.

“**Borrowings**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Break Costs**” means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the London interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Amsterdam, London, Moscow and New York City.

“**Commitment**” means a Facility 1 Commitment or a Facility 2 Commitment.

“**Compliance Certificate**” means a certificate substantially in the form set out in Schedule 6 (*Form of Compliance Certificate*).

“**Confidentiality Undertaking**” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between the Borrower and the Agent.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 21 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**EBITDA**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Environment**” means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including land under water).

“**Environmental Law**” means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or
- (c) relate to any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment or a nuisance to any person or that may make the use or ownership of any affected land or property more costly or health and safety matters.

“**Environmental Licence**” means any Authorisation required at any time under Environmental Law.

“**Event of Default**” means any event or circumstance specified as such in Clause 21 (*Events of Default*).

“**Facilities**” means Facility 1 and Facility 2 and “**Facility**” means either of them.

“**Facility Office**” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Facility 1**” means the term loan facility made available under this Agreement as described in paragraph (a) of Clause 2.1 (*The Facilities*).

“**Facility 1 Commitment**” means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading “Facility 1 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility 1 Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Facility 1 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility 1 Loan**” means a loan made or to be made under Facility 1 or the principal amount outstanding for the time being of that loan.

“**Facility 1 Repayment Date**” means the date falling 12 Months after the Signing Date, the date falling 18 Months after the Signing Date, the date falling 24 Months after the Signing Date, the date falling 30 Months after the Signing Date and the Final Maturity Date.

“**Facility 2**” means the term loan facility made available under this Agreement as described in paragraph (b) of Clause 2.1 (*The Facilities*).

“**Facility 2 Commitment**” means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading “Facility 2 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility 2 Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Facility 2 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility 2 Loan**” means a loan made or to be made under Facility 2 or the principal amount outstanding for the time being of that loan.

“**Facility 2 Repayment Date**” means the date falling 15 Months after the Signing Date, the date falling 21 Months after the Signing Date, the date falling 27 Months after the Signing Date and the Final Maturity Date.

“**Fee Letters**” means each of the letters dated 2 July 2004 between the Original Mandated Lead Arrangers and the Borrower (or the Agent and the Borrower) setting out the fees referred to in Clause 11 (*Fees*).

“**Final Maturity Date**” means the date which is three years plus one day after the Signing Date.

“**Finance Document**” means this Agreement, any Fee Letter, the Mandate Letter, the Syndication Side Letter and any other document designated as such by the Agent and the Borrower.

“**Finance Party**” means the Agent, the Mandated Lead Arrangers or a Lender.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) shares which are expressed to be redeemable at the option of the holder on or prior to the Final Maturity Date (but excluding any accrued dividends);
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

“**GAAP**” means generally accepted accounting principles, standards and practices in the United States of America.

“**Group**” means the Borrower and its Subsidiaries for the time being.

“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**Information Memorandum**” means the document in the form approved by the Borrower concerning the Group which, at the Borrower’s request and on its behalf, was prepared in relation to this transaction and distributed by the Mandated Lead Arrangers to selected financial institutions before the Signing Date.

“**Interest Expense**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Kuban GSM**” means CJSC Kuban GSM, a joint-stock company organized under the laws of the Russian Federation that is a Subsidiary of the Borrower.

“**Lender**” means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 22 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**LIBOR**” means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for Dollars or the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of 11:00 a.m. on the Quotation Day for the offering of deposits in Dollars for a period comparable to the Interest Period for that Loan.

“**LMA**” means the Loan Market Association.

“**Loan**” means a Facility 1 Loan or Facility 2 Loan.

“**Majority Lenders**” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than 66²/₃% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66²/₃% of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than 66²/₃% of all the Loans then outstanding.

“**Mandate Letter**” means the letter agreement dated 5 July 2004 between the Original Mandated Lead Arrangers and the Borrower.

“**Mandatory Cost**” means the percentage rate per annum calculated by the Agent in accordance with Schedule 4 (*Mandatory Cost formula*).

“**Margin**” means 2.50 per cent. per annum.

“**Material Adverse Effect**” means a material adverse effect on or material adverse change in:

- (a) the financial condition, operations, assets, prospects or business of the Borrower or the consolidated financial condition, operations, assets, prospects or business of the Group;
- (b) the ability of the Borrower to perform and comply with its obligations under any Finance Document; or
- (c) the validity, legality or enforceability of any Finance Document, or the rights or remedies of any Finance Party thereunder.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

“Original Financial Statements” means the audited consolidated financial statements of the Group for the financial year ended 31 December 2003.

“Participating Member State” means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

“Party” means a party to this Agreement.

“Permitted Security” means:

- (a) any Security on any assets of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower and not created in contemplation of such event, provided that no such Security shall extend to any other assets;
- (b) any Security existing on any assets prior to the acquisition thereof by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition, provided that no such Security shall extend to any other assets;
- (c) any Security on any assets securing Financial Indebtedness of the Borrower or Financial Indebtedness of any Subsidiary of the Borrower incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such assets, provided that (i) no such Security shall extend to any other assets; (ii) the aggregate principal amount of all Financial Indebtedness secured by such Security on such assets shall not exceed the lower of (x) the purchase price of such assets and (y) the fair market value of such assets at the time of acquisition, repair or refurbishing; and (iii) such Security attaches to such assets concurrently with the repair or refurbishing thereof or within 90 days after the acquisition thereof, as the case may be;
- (d) any Security arising by operation of law, including any Security (i) arising in the ordinary course of business with respect to amounts not yet delinquent or being contested by the Borrower or a Subsidiary of the Borrower in good faith in appropriate proceedings or (ii) for taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;
- (e) any Security on the assets of any Subsidiary of the Borrower securing intercompany Financial Indebtedness of such Subsidiary owing to the Borrower or another Subsidiary of the Borrower;
- (f) any netting or set-off arrangement entered into by a member of the Group with a bank or any other financial institution in the normal course of its banking arrangements for the purpose of netting or setting off its debit and credit facilities with that bank or financial institution;
- (g) easements, rights-of-way, restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect

with the business of the Borrower or the business of any Subsidiary of the Borrower, including any encumbrance or restriction with respect to an equity interest of any joint venture pursuant to a joint venture agreement;

- (h) any extension, renewal or replacement of any Security described in clauses (a) to (g) above, provided that (i) such extension, renewal or replacement shall be no more restrictive in any material respect than the original Security; (ii) the amount of Financial Indebtedness secured by such Security is not increased; and (iii) if the assets securing the Financial Indebtedness subject to such Security are changed in connection with such refinancing, extension or replacement, the fair market value of the property or assets is not increased; and
- (i) any other Security (excluding any Security described in (a)-(h) above) provided that, immediately after giving effect to such Security, the aggregate amount of all secured Financial Indebtedness of the Group does not exceed 10% of the Borrower's Total Assets.

“**Qualifying Lender**” has the meaning given to it in Clause 12 (*Tax gross-up and indemnities*).

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the London interbank market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the London interbank market (and if quotations for that currency and period would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days).

“**RAS**” means generally accepted accounting principles, standards and practices in the Russian Federation.

“**Reference Banks**” means in relation to LIBOR and Mandatory Cost the principal London offices of the Original Mandated Lead Arrangers or such other banks as may be appointed by the Agent in consultation with the Borrower.

“**Relevant Period**” has the meaning given to it in Clause 19 (*Financial Covenants*).

“**Repayment Date**” means a Facility 1 Repayment Date or a Facility 2 Repayment Date.

“**Repeating Representations**” means each of the representations set out in Clauses 17.1 (*Status*), 17.2 (*Binding obligations*), 17.3 (*Non-conflict with other obligations*), 17.4 (*Power and authority*), 17.6 (*Governing law and enforcement*), 17.11 (*No default*), 17.14 (*Pari Passu Ranking*), 17.15 (*No proceedings pending or threatened*), 17.16 (*Environmental laws and licences*) and 17.17 (*Telecommunications law and licences*).

“**Roubles**” or “**RUR**” means the lawful currency of the Russian Federation for the time being.

“**Russian Insolvency Law**” means the Federal Law of the Russian Federation No. 127-FZ of 26 October 2002 “On Insolvency (Bankruptcy)”.

“**Screen Rate**” means the British Bankers Association Interest Settlement Rate for Dollars for the relevant period displayed on the appropriate page of the Telerate screen. If the agreed page is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrower and the Lenders.

“**Security**” means a mortgage, charge, lien, pledge or other security interest securing any obligations of any person or any other agreement or arrangement having a similar effect.

“Significant Subsidiary” means:

- (a) UMC (unless, pursuant to the UMC Litigation, any or all of the Borrower’s shares in UMC are transferred to a person that is not a member of the Group, with the result that UMC ceases to be a member of the Group);
- (b) Telecom XXI;
- (c) Kuban GSM;
- (d) any Subsidiary of the Borrower to which (i) the Borrower, UMC, Telecom XXI or Kuban GSM sells, leases or otherwise transfers its GSM 900 or 1800 licences or (ii) any such licence is re-issued; and
- (e) any Subsidiary of the Borrower (i) whose total assets (or, where such Subsidiary prepares consolidated accounts, whose total consolidated assets) have a book value (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) equal to or exceeding 10% of the Borrower’s Total Assets or (ii) whose gross annual revenues (or, where such Subsidiary prepares consolidated accounts, whose gross annual consolidated revenues) (as determined by reference to the most recent management accounts of that Subsidiary prepared in accordance with GAAP) are equal to or exceed 10% of the Borrower’s gross annual consolidated revenues in the year for which the Borrower’s most recent consolidated financial statements were prepared.

“Signing Date” means the date of this Agreement.

“Subsidiary” means an entity from time to time of which a person has direct or indirect control or owns directly or indirectly more than 50% of the share capital or similar right of ownership.

“Syndication Date” means (unless otherwise agreed by the Borrower and the Original Mandated Lead Arrangers) the day specified by the Original Mandated Lead Arrangers as the day on which primary syndication of the Facilities is completed.

“Syndication Side Letter” means the letter agreement dated on or about the Signing Date between the Borrower and the Original Mandated Lead Arrangers in relation to the syndication of the Facilities.

“Tax” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Telecom XXI” means Telecom XXI, an open joint stock company that is a wholly-owned Subsidiary of the Borrower.

“Telecommunications Authorisation” means any Authorisation from any governmental or other regulatory authority necessary in order for each of the Borrower and its Significant Subsidiaries to maintain, operate and conduct its business as it is being conducted in accordance with Telecommunications Laws.

“Telecommunications Laws” means (a) all laws and regulations which relate to telecommunications and/or the business of providing mobile telephone services and (b) all rules, guidelines, policies and regulations made thereunder, that are applicable to each of the Borrower and its Significant Subsidiaries and/or the business carried on by it.

“**Total Assets**” means the book value of the consolidated total assets of the Borrower as determined by reference to the Borrower’s most recent annual consolidated balance sheet delivered in accordance with paragraph (a) of Clause 18.1 (*Financial statements*) or, prior to the first delivery, to the Original Financial Statements.

“**Total Commitments**” means the aggregate of the Total Facility 1 Commitments and the Total Facility 2 Commitments, being \$500,000,000 at the Signing Date.

“**Total Facility 1 Commitments**” means the aggregate of the Facility 1 Commitments, being \$200,000,000 at the Signing Date.

“**Total Facility 2 Commitments**” means the aggregate of the Facility 2 Commitments, being \$300,000,000 at the Signing Date.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 5 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Agent executes the Transfer Certificate.

“**UMC**” means Ukrainian-German-Dutch-Danish Joint Venture “Ukrainian Mobile Communications” in Ukraine.

“**UMC Litigation**” means any of the claims, proceedings (present or future) and causes of action involving the Borrower and/or any of its Affiliates (including UMC) relating to or arising out of the sale of UMC to the Borrower or the acquisition, reorganization or ownership of UMC by the Borrower.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**US Dollars**”, “**Dollars**”, “**USD**” and “**\$**” denote the lawful currency of the United States of America.

“**Utilisation**” means a utilisation of a Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

“**VAT**” means value added tax and any other tax of a similar nature.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
 - (i) the “**Agent**”, any “**Mandated Lead Arranger**”, any “**Finance Party**”, any “**Lender**”, the “**Borrower**” and any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;

- (iii) “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise;
 - (iv) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
 - (v) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a “**person**” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vii) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (ix) a time of day is a reference to London time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.

1.3 Third Party Rights

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

SECTION 2 THE FACILITY

2 THE FACILITIES

2.1 The Facilities

Subject to the terms of this Agreement, the Lenders make available to the Borrower:

- (a) a term loan facility in Dollars to be designated “**Facility 1**” in an aggregate amount equal to the Total Facility 1 Commitments; and
- (b) a term loan facility in Dollars to be designated “**Facility 2**” in an aggregate amount equal to the Total Facility 2 Commitments.

2.2 Finance Parties’ rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3 PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under the Facilities towards its general corporate purposes, including towards the refinancing of its existing indebtedness.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrower may not deliver the first Utilisation Request unless the Agent has received all of the documents and other evidence listed in Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders’ participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (i) no Default is continuing or would result from the proposed Loan; and
- (ii) the Repeating Representations to be made by the Borrower are true in all material respects.

SECTION 3 UTILISATION

5 UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise a Facility by delivery to the Agent of a duly completed Utilisation Request not later than 10:00 a.m. on the day falling 3 Business Days before the proposed Utilisation Date (or, in relation to the first Utilisation Request, not later than 10:00 a.m. on the day falling 2 Business Days before the proposed Utilisation Date).

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
- (i) it identifies the Facility to be utilised;
 - (ii) the proposed Utilisation Date is a Business Day within the Availability Period applicable to that Facility;
 - (iii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
 - (iv) it specifies the account and bank to which the proceeds of the Utilisation are to be credited.
- (b) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be Dollars.
- (b) The amount of the proposed Loan must be:
- (i) a minimum of \$50,000,000 or, if less, the Available Facility; or
 - (ii) in any event such that it is less than or equal to the Available Facility.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.
- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan not later than 5:00 p.m. on the day falling 3 Business Days before the relevant Utilisation Date (or, in relation to the first Loan, not later than 11:00 a.m. on the day falling 2 Business Days before the first Utilisation Date).

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6 REPAYMENT

6.1 Repayment of Facility 1 Loans

- (a) The Borrower shall repay the Facility 1 Loans in five equal instalments, by paying on each Facility 1 Repayment Date an amount equal to one fifth of the amount of the Facility 1 Loans outstanding at the close of business on the last day of the Availability Period for Facility 1.
- (b) The Borrower may not reborrow any part of Facility 1 which is repaid.

6.2 Repayment of Facility 2 Loans

- (a) The Borrower shall repay the Facility 2 Loans in four equal instalments, by paying on each Facility 2 Repayment Date an amount equal to one quarter of the amount of the Facility 2 Loans outstanding at the close of business on the last day of the Availability Period for Facility 2.
- (b) The Borrower may not reborrow any part of Facility 2 which is repaid.

7 PREPAYMENT AND CANCELLATION

7.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and
- (c) the Borrower shall repay that Lender's participation in the Loans on the last day of the Interest Period for each Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, cancel the whole or any part (being a minimum amount of \$10,000,000) of an Available Facility. Any cancellation under this Clause 7.3 shall reduce the Commitments of the Lenders rateably under that Facility.

7.3 Voluntary prepayment of Loans

- (a) The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the Loan by a minimum amount of \$10,000,000).
- (b) A Loan in respect of a Facility may only be prepaid after the last day of the Availability Period for that Facility (or, if earlier, the day on which the relevant Available Facility is zero).

- (c) Each prepayment shall be applied in satisfaction of the Borrower's obligations under Clause 6 (*Repayment*) in the inverse order of maturity of the Loans (or, at the option of the Borrower, *pro rata* to the remaining principal instalments thereof).

7.4 Mandatory Prepayment — Change of Control

- (a) In this Clause 7.4, "**Change of Control**" means any of the following events or circumstances: any person or group of persons acting in concert or under an express or implied agreement or understanding, directly or through one or more intermediaries, shall (x) acquire ultimate beneficial or legal ownership of, or control over, more than 50% of the issued shares of the Borrower; (y) acquire ownership of or control over more than 50% of the voting interests in the share capital of the Borrower; or (z) obtain the power (whether or not exercised) to elect not less than half of the directors of the Borrower; (provided, however, that any acquisition by Sistema JSFC, T-Mobile International AG or any of their respective Subsidiaries that results in the 50% threshold in paragraphs (x) and (y) above being exceeded, or in the power referred to in paragraph (z) above being obtained, will not be a Change of Control).
- (b) If there is a Change of Control:
- (i) the Borrower shall promptly notify each Lender (through the Agent) upon becoming aware of that event;
 - (ii) the Borrower may not make a Utilisation; and
 - (iii) if any Lender (in its sole discretion) so requires, it may, within 5 Business Days of its receipt of the Borrower's notification under sub-clause (i) above, direct the Agent to send a notice to the Borrower requiring the Borrower to repay that Lender's participations in the Loans (together with accrued interest) in full on the day (the "**Early Repayment Date**") falling 30 days after the date of the Borrower's notification under sub-clause (i) above. Before the Early Repayment Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender's rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Early Repayment Date, then (x) the Borrower shall repay that Lender's participations in the Loans (together with accrued interest) in full on the Early Repayment Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.5 Right of repayment and cancellation in relation to a single Lender

If:

- (a) any sum payable to any Lender by the Borrower is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*); or
- (b) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*),

the Borrower may, whilst the circumstance giving rise to the requirement or indemnification continues, give the Agent notice of cancellation of the Commitments of that Lender and its intention to procure the repayment of that Lender's participation in the Loans on the last day of the Interest Period ending after the date of such notice (or, if earlier, on such other date as specified by the Borrower in that notice) (the "**Cancellation Date**"). Before the Cancellation

Date, the Lender and the Borrower shall consult with each other for a period of 5 Business Days with respect to the transfer of that Lender's rights and obligations under this Agreement to another reputable international bank or financial institution nominated by the Borrower (but which is not an Affiliate of the Borrower) in accordance with Clause 22.5 (*Procedure for transfer*). If no such transfer has been effected on or before the Cancellation Date, then (x) the Borrower shall repay that Lender's participations in the Loans (together with accrued interest) in full on the Cancellation Date and (y) the Commitments of that Lender shall be reduced to zero on that date.

7.6 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) The Borrower may not reborrow any part of a Facility which is prepaid.
- (d) The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.
- (f) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

**SECTION 5
COSTS OF UTILISATION**

8 INTEREST

8.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin;
- (b) LIBOR; and
- (c) Mandatory Cost, if any.

8.2 Payment of interest

The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than 6 Months, on the date falling at six monthly intervals after the first day of the Interest Period).

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is the sum of 2 per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower on demand by the Agent.
- (b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be the sum of 2 per cent. and the rate which would have applied if the overdue amount had not become due.
- (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

9 INTEREST PERIODS

9.1 Duration of Interest Periods

- (a) Save as otherwise provided herein, each Interest Period shall have a duration of 6 Months (or such other period as may be agreed between the Borrower and the Lenders) and shall commence on the day on which the preceding Interest Period expires (provided that the last Interest Period under Facility 1 shall have a duration of 6 Months plus one day and the last Interest Period under Facility 2 shall have a duration of 9 Months plus one day).
- (b) The first Interest Period for the first Loan made under a Facility shall begin on the Utilisation Date for that Loan and shall have a duration of 6 Months, and the first Interest Period for each Loan made thereafter under that Facility shall begin on the Utilisation Date for that Loan and end on the last day of the Interest Period applicable to that first Loan. At the end of the first Interest Period for each Loan under a Facility, such Loan shall be consolidated with all other Loans (if any) then outstanding under that Facility such that all Loans under that Facility shall then be treated as a single Loan.
- (c) No Interest Period shall extend beyond a Repayment Date for the relevant Facility, and if an Interest Period would otherwise overrun a Repayment Date for the relevant Facility, such Interest Period shall be shortened so that it ends on that Repayment Date.
- (d) An Interest Period for a Loan shall not extend beyond the Final Maturity Date.
- (e) Prior to the earlier of (i) the Syndication Date and (ii) 31 October 2004, each Interest Period shall have a duration of one Month (or such other duration as is necessary to ensure that such Interest Period shall end on the Syndication Date).

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 CHANGES TO THE CALCULATION OF INTEREST

10.1 Absence of quotations

Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by 11:00 a.m. on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the rate per annum which is the sum of:
 - (i) the Margin;
 - (ii) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select; and

(iii) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.

(b) In this Agreement "**Market Disruption Event**" means:

- (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for Dollars for the relevant Interest Period; or
- (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 35 per cent. of that Loan) that the cost to it of obtaining matching deposits in the London interbank market would be in excess of LIBOR.

10.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

10.4 Break Costs

- (a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11 FEES

11.1 Commitment fee

- (a) The Borrower shall pay to the Agent (for the account of each Lender) a commitment fee in respect of Facility 2, calculated on a daily basis, at the rate of:
 - (i) from the Signing Date until (and including) 1 October 2004, 0.25 per cent. per annum of the Total Facility 2 Commitments; and
 - (ii) from (but excluding) 1 October 2004 until the last day of the Availability Period for Facility 2, 0.50 per cent. per annum of the Available Commitment for Facility 2.
- (b) The commitment fee will accrue from the Signing Date, is payable in arrears on the last day of each successive period of three Months, on the last day of the Availability Period for Facility 2 and, if cancelled in full, on the cancelled amount of the relevant Lender's Facility 2 Commitment at the time the cancellation is effective.

11.2 Arrangement fee

The Borrower shall pay to the Mandated Lead Arrangers an arrangement fee in the amount and at the times agreed in a Fee Letter.

11.3 Agency fee

The Borrower shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

12 TAX GROSS-UP AND INDEMNITIES

12.1 Definitions

(a) In this Agreement:

“**Protected Party**” means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“**Qualifying Lender**” means a Lender which is situated for tax purposes in the Russian Federation or in a Tax Treaty Jurisdiction.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by the Borrower to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

“**Tax Treaty Jurisdiction**” means a jurisdiction which has in force a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics to which the Russian Federation has succeeded) which provides for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation payable to a resident of such jurisdiction.

(b) Unless a contrary indication appears, in this Clause 12 a reference to “**determines**” or “**determined**” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

(a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender, it shall notify the Borrower.

(c) Subject to paragraph (d) below, if a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) The Borrower is not required to make an increased payment to a Lender under paragraph (c) above if, on the date on which the payment falls due, the Borrower could have made such a payment to that Lender without a Tax Deduction if that Lender was a Qualifying Lender, but on that date that Lender is not, or has ceased to be, a Qualifying Lender (other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation,

administration, or application of) any law or treaty, or any published practice or concession of any relevant taxing authority).

- (e) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Agent for the Finance Party entitled to the payment an original receipt (or certified copy thereof) demonstrating that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) The Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines has been suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:
 - (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or
 - (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or
 - (B) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 12.2 (*Tax gross-up*) applied.
- (c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.
- (d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Agent.

12.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay promptly an amount to the Borrower which that Finance Party determines will leave the Finance Party (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Borrower.

12.5 Stamp taxes

The Borrower shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 Value added tax

- (a) All consideration expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any VAT. If VAT is chargeable on such consideration, that Party shall pay to the Finance Party (or directly to the appropriate tax authority, if so required by law) (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT.
- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither it nor any other member of the group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

12.7 Tax forms

- (a) At least 10 Business Days prior to the date of the first scheduled payment of interest under this Agreement, and within 20 Business Days from the beginning of each calendar year falling after the Signing Date, each Qualifying Lender shall use its reasonable efforts to provide to the Borrower a document issued by the relevant government authority in its jurisdiction of residence confirming that it is a resident of that jurisdiction.
- (b) At the request of the Borrower (acting reasonably), each Lender shall use its reasonable efforts to provide any other documentation or information to the Borrower that may be reasonably necessary for the Borrower to establish a complete exemption from Russian withholding tax in relation to payments of interest under this Agreement.

13 INCREASED COSTS

13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within three Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the Signing Date.
- (b) In this Agreement “**Increased Costs**” means:
 - (i) a reduction in the rate of return from the Facility or on a Finance Party’s (or its Affiliate’s) overall capital;
 - (ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

- (a) Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by the Borrower;
 - (ii) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied);
 - (iii) compensated for by the payment of the Mandatory Cost; or
 - (iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.
- (b) In this Clause 13.3, a reference to a “**Tax Deduction**” has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 OTHER INDEMNITIES

14.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
 - (i) making or filing a claim or proof against the Borrower;
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,the Borrower shall as an independent obligation, within three Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.
- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

The Borrower shall, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by the Borrower to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 26 (*Sharing among the Finance Parties*);
- (c) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

14.3 Indemnity to the Agent

The Borrower shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

15 MITIGATION BY THE LENDERS

15.1 Mitigation

- (a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

15.2 Limitation of liability

- (a) The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

16 COSTS AND EXPENSES

16.1 Transaction expenses

The Borrower shall promptly on demand pay the Agent and the Original Mandated Lead Arrangers the amount of all reasonable out-of-pocket costs and legal expenses incurred by any of them in connection with the negotiation, preparation and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement,

subject to the terms of the Syndication Side Letter.

16.2 Amendment costs

If (a) the Borrower requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 27.9 (*Change of currency*), the Borrower shall, within three Business Days of demand, reimburse the Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement costs

The Borrower shall, within three Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

17 REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

17.1 Status

- (a) It is an open joint stock company, duly established, registered and validly existing under the laws of the Russian Federation.
- (b) It and each of its Significant Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

17.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations, subject to insolvency and other laws affecting creditors' rights generally and principles of equity.

17.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets.

17.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents and the transactions contemplated by those Finance Documents.

17.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents;
- (b) for it and its Significant Subsidiaries to carry on its and their business; and
- (c) to make the Finance Documents admissible in evidence in the general jurisdiction courts or commercial courts (*arbitrazhniye sudi*) of the Russian Federation in an original action or action to enforce a foreign arbitral award, provided that authenticated and notarised Russian texts are made available to such courts at that time and any other procedures and formalities regarding presentation of documents to a Russian court are complied with,

have been obtained or effected and are in full force and effect (except, in relation to paragraph (b) above, where the failure to obtain such Authorisations (excluding any Telecommunications Authorisations) is not reasonably likely to have a Material Adverse Effect).

17.6 Governing law and enforcement

- (a) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in the Russian Federation.
- (b) Any arbitration award obtained in England in relation to a Finance Document will be recognised and enforced in the Russian Federation in accordance with the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards.

17.7 No bankruptcy proceedings

Neither the Borrower nor any of its Significant Subsidiaries has taken any corporate action nor have any other steps been taken or legal proceedings been started or, to the best of its knowledge and belief (after due inquiry), threatened against it or any of its Significant Subsidiaries for (a) its liquidation or bankruptcy or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of it or any of its Significant Subsidiaries; (b) the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshniy upravlayuschiy*) or the appointment of a bankruptcy manager (*konkursniy upravlayuschiy*) or similar officer of it or any of its Significant Subsidiaries; (c) the convening of a meeting of creditors for the purposes of considering an amicable settlement (as defined in the Russian Insolvency Law); or (d) any analogous act in respect of it or any of its Significant Subsidiaries in any jurisdiction.

17.8 Deduction of Tax

It is not required under the law of the Russian Federation to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Qualifying Lender.

17.9 No filing or stamp taxes

Under the law of the Russian Federation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in the Russian Federation or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except for court registration fees in connection with any enforcement proceedings in such court.

17.10 Payment of Taxes

Neither it nor any of its Significant Subsidiaries has overdue tax liabilities, other than tax liabilities (a) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves or other appropriate provision has been made or (b) whose amount, together with all such other unpaid or undischarged taxes, does not in aggregate exceed \$25,000,000 (or its equivalent in any other currency or currencies).

17.11 No default

- (a) No Default or Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.

- (b) No event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which is reasonably likely to have a Material Adverse Effect.

17.12 No misleading information

- (a) Any factual information provided by or on behalf of any member of the Group for the purposes of the Information Memorandum was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (b) The financial projections contained in the Information Memorandum have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Nothing has occurred or been omitted from the Information Memorandum and no information has been given or withheld that results in the information contained in the Information Memorandum being untrue or misleading in any material respect.

17.13 Financial statements

- (a) Its Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) Its Original Financial Statements fairly represent its, and its consolidated, financial condition and operations as at the end of and for the relevant financial year.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group) since the date of its Original Financial Statements.

17.14 *Pari passu* ranking

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.15 No proceedings pending or threatened

Other than the UMC Litigation, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including but not limited to, investigative proceedings) have, to the best of its knowledge and belief (after due inquiry), been started or threatened against it or any of its Significant Subsidiaries which, if adversely determined would be reasonably likely to have a Material Adverse Effect.

17.16 Environmental laws and licences

Except as disclosed in writing to the Agent before the date hereof, it and each of its Subsidiaries has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required in connection with its business; and
- (c) complied with the terms of those Environmental Licences,

in each case where failure to do so would be reasonably likely to have a Material Adverse Effect.

17.17 Telecommunications laws and licences

- (a) Each of the Borrower and its Significant Subsidiaries has:

- (i) complied in all material respects with all Telecommunications Laws to which it may be subject;
- (ii) obtained all material Telecommunications Authorisations necessary to conduct its business; and
- (iii) complied in all material respects with the terms of those Telecommunication Authorisations,

in each case other than where failure to do so would not reasonably be expected to have a Material Adverse Effect.

- (b) There has been no act, omission or event which might reasonably be expected to give rise to the material amendment, revocation, suspension, cancellation, withdrawal or termination of any provision of any Telecommunications Authorisation. To the best of its knowledge and belief (after due inquiry), no Telecommunications Authorisation is the subject of any pending or threatened proceedings which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

17.18 Compliance with laws

Each of the Borrower and its Significant Subsidiaries is conducting its business and operations in compliance with all laws and regulations and all directives of any government agency having legal force applicable or relevant to it, excluding any such non-compliance which would not reasonably be expected to have a Material Adverse Effect.

17.19 No Immunity

- (a) The execution by the Borrower of the Finance Documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial activities done and performed for private and commercial purposes (rather than public and governmental purposes).
- (b) In any proceedings taken in the Russian Federation in relation to the Finance Documents, the Borrower will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

17.20 Repetition

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request and the first day of each Interest Period (provided that whenever the representation in paragraph (c) of Clause 17.3 is deemed to be made on a date other than the Signing Date or a Utilisation Date, the statement “except where the same would not be reasonably likely to have a Material Adverse Effect” shall qualify the representation in said paragraph (c)).

18 INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

18.1 Financial statements

The Borrower shall supply to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 180 days after the end of each of its financial years, its audited consolidated and non-consolidated financial statements for that financial year; and
- (b) as soon as the same become available, but in any event within 45 days after the end of each of its financial quarters, its unaudited consolidated and non-consolidated financial statements for that financial quarter.

18.2 Compliance Certificate

- (a) The Borrower shall supply to the Agent with each set of financial statements delivered pursuant to Clause 18.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 19 (*Financial Covenants*) as at the date as at which those financial statements were drawn up.
- (b) Each Compliance Certificate shall be signed by an authorised officer of the Borrower and, if required to be delivered with the financial statements delivered pursuant to paragraph (a) of Clause 18.1 (*Financial statements*), shall be reported on by the Borrower's auditors in the form set out in Schedule 6 (*Form of Compliance Certificate*).

18.3 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial statements*) shall be certified by an authorised officer of the Borrower as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
- (b) The Borrower shall procure that each set of consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 19 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that the Original Financial Statements.
- (c) Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.
- (d) The Borrower shall procure that each set of non-consolidated financial statements delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using RAS accounting practices and financial reference periods.

18.4 Information: miscellaneous

The Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) all documents dispatched by the Borrower to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which would, if adversely determined, be reasonably likely to have a Material Adverse Effect;
- (c) promptly, such information as may be reasonably requested by the Agent (including relevant figures from management accounts) to ascertain whether any Subsidiary of the Borrower falls within paragraph (e) of the definition of “Significant Subsidiary”; and
- (d) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Agent) may reasonably request.

18.5 Notification of Default

- (a) The Borrower shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

18.6 Know your customer checks

- (a) If:
 - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
 - (ii) any change in the status of the Borrower after the date of this Agreement; or
 - (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

19 FINANCIAL COVENANTS

The financial undertakings in this Clause 19 shall remain in force from the Signing Date for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

19.1 Financial condition

The Borrower shall ensure that:

- (a) The ratio of Borrowings as at the end of any Relevant Period to EBITDA in respect of such Relevant Period will not exceed 3:1; and
- (b) the ratio of EBITDA to Interest Expense in respect of any Relevant Period will not be less than 5:1.

19.2 Financial covenant calculations

Borrowings, EBITDA and Interest Expense shall be calculated and interpreted on a consolidated basis in accordance with the GAAP applicable to the Original Financial Statements of the Borrower and shall be expressed in Dollars.

19.3 Definitions

In this Clause 19.3:

“**Borrowings**” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of members of the Group (other than any indebtedness referred to in paragraph (g) of the definition of Financial Indebtedness and any guarantee or indemnity in respect of that indebtedness).

For this purpose, any amount outstanding or repayable in a currency other than Dollars shall on that day be taken into account in its Dollars equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with the GAAP applicable to the Original Financial Statements of the Borrower.

“**EBITDA**” means, in relation to any Relevant Period, the total consolidated operating profit of the Group for that Relevant Period:

- (a) before taking into account:
 - (i) Interest Expense;
 - (ii) Tax;
 - (iii) any share of the profit of any associated company or undertaking, except for dividends received in cash by any member of the Group; and
 - (iv) extraordinary and exceptional items; and
- (b) after adding back all amounts provided for depreciation and amortisation for that Relevant Period,

multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“**Interest Expense**” means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Group in that Relevant Period in respect of Borrowings including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions, arrangement fees and guarantee fees; and
- (c) amounts in the nature of interest payable in respect of any shares other than equity share capital,

adjusted (but without double counting) by:

- (i) adding back the net amount payable (or deducting the net amount receivable) by members of the Group in respect of that Relevant Period under any interest or (so far as they relate to interest) currency hedging arrangements; and
- (ii) deducting interest income of the Group in respect of that Relevant Period to the extent freely payable in cash,

multiplied by two,

as determined (except as needed to reflect the terms of this Clause 19) from the financial statements of the Group and Compliance Certificates delivered under Clause 18.1 (*Financial statements*) and Clause 18.2 (*Compliance Certificate*).

“**Relevant Period**” means each period of 6 consecutive Months ending on the last day of each financial year and financial quarter of the Borrower.

20 GENERAL UNDERTAKINGS

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

20.1 Authorisations

The Borrower shall promptly:

- (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (ii) supply certified copies to the Agent of,

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

20.2 Compliance with laws

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

20.3 Maintenance of existence

The Borrower shall maintain its corporate existence.

20.4 Negative pledge

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.
- (b) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will):
 - (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
 - (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
 - (iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

- (c) Paragraphs (a) and (b) above do not apply to Permitted Security.

20.5 Disposals

- (a) The Borrower shall not (and shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset.
- (b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal:
 - (i) made in the ordinary course of trading of the disposing entity;
 - (ii) of assets in exchange for other assets comparable or superior as to type, value and quality;
 - (iii) made from one member of the Group (other than the Borrower) to another member of the Group;
 - (iv) of cash or cash equivalents for cash or cash equivalents;
 - (v) where the book value of such asset (when aggregated with the book value of each other asset disposed of under this sub-clause (v)) (in each case as calculated in accordance with GAAP) does not exceed (x) 10% of the Borrower's Total Assets in any financial year of the Borrower and (y) 25% of the Borrower's Total Assets during the period starting on the Signing Date and ending on the date that all amounts outstanding under this Agreement have been paid in full. At the request of the Agent (any such request to be made no more than once per calendar quarter, unless a Default is continuing), the Borrower shall provide a certificate to the Agent setting out in reasonable detail the book value of any assets disposed of under this sub-clause (v) (calculated in accordance with GAAP); or
 - (vi) involving the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this sub-clause (vi) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

When calculating the Borrower's Total Assets under sub-clause (v) above, if the annual consolidated balance sheet of the Borrower for the immediately preceding financial year of the Borrower is not available, the Borrower's Total Assets shall be calculated by reference to the draft audit report then available for that financial year and any other evidence reasonably requested by, and reasonably satisfactory to, the Agent.

20.6 Merger

- (a) The Borrower shall not enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelenie obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than a consolidation or merger with one of its Subsidiaries where the Borrower is the surviving entity.
- (b) The Borrower shall ensure that no Significant Subsidiary will enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdeleyeniye obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction if such reorganisation or transaction would, in the opinion of the Agent (acting reasonably), have a Material Adverse Effect.

20.7 Change of business

The Borrower shall procure that no substantial change is made to the general nature of the business of the Borrower or the Group from that carried on at the Signing Date.

20.8 Conduct of business

The Borrower shall, and shall procure that each of its Significant Subsidiaries will, conduct its business in all material respects in accordance with:

- (a) all Telecommunications Laws to which it is or may become subject;
- (b) all requirements of the telecommunications regulators of the Russian Federation, Ukraine and any other jurisdiction where it conducts its business; and
- (c) the terms of all relevant Telecommunications Authorisations.

20.9 Asset maintenance

The Borrower shall, and shall procure that each of its Significant Subsidiaries will, have and maintain good and marketable title to or valid leases or licences of, or rights of use relating to, all assets necessary to maintain, develop and operate and otherwise conduct its business as then being conducted by it and in each case where failure to do so might reasonably be expected to have a Material Adverse Effect.

20.10 Insurance

The Borrower shall (and shall ensure that each other member of the Group will) maintain insurances on and in relation to its business and assets with reputable underwriters or insurance

companies against those risks, and to the extent, usually insured against by prudent companies located in the same or a similar location and carrying on a similar business.

20.11 Transactions with Related Parties

- (a) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will), directly or indirectly, enter into or permit to exist any intercompany loan with, or for the benefit of, any Related Party, unless:
- (i) the terms of such intercompany loan are no less favourable to such member of the Group than those that could be obtained in a comparable arm's-length transaction or series of related transactions with a person that is not a Related Party; or
 - (ii) such intercompany loan is made pursuant to a contract or contracts existing on the Signing Date (excluding any amendments or modifications thereto after the Signing Date),

provided that the aggregate outstanding amount of all such intercompany loans described in sub-clauses (i) and (ii) above does not, at any time, exceed \$100,000,000.

- (b) Paragraph (a) above does not apply to:
- (i) compensation or employee benefit arrangements with any officer or director of any member of the Group arising out of any employment contract entered into in the ordinary course of business; or
 - (ii) transactions between members of the Group.
- (c) For the purposes of this Clause 20.11 only, a **"Related Party"** means, with respect to any specified person:
- (i) any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person; or
 - (ii) any other person who is a director or executive officer of (a) such specified person or (b) any person described in (i) above.

For purposes of the definition of **"Related Party"** only, **"control"** (including, with correlative meanings, the terms **"controlling," "controlled by"** and **"under common control with"**), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10 per cent. or more of any class, or any series of any class, of equity securities of a person, whether or not voting, shall be deemed to be control.

20.12 Restriction on acquisitions

The Borrower shall not establish or acquire any Subsidiary or invest in any other entity without the consent of the Majority Lenders (such consent not to be unreasonably withheld), provided that this Clause 20.12 shall not apply to any such acquisition or investment where:

- (a) such acquisition or investment relates to a Subsidiary or entity whose principal business is telecommunications or the provision of data services or related or ancillary businesses; and
- (b) the consideration paid by the Borrower in relation to such acquisition or investment, when aggregated with the consideration paid by the Borrower in relation to each other

acquisition or investment permitted under this paragraph (b), does not exceed (i) 20 per cent. of the Borrower's Total Assets in the financial year of the Borrower ending 31 December 2004; and (ii) 15 per cent. (or such higher amount not exceeding 20 per cent. as the Majority Lenders may agree (acting reasonably)) of the Borrower's Total Assets in any other financial year of the Borrower.

20.13 Prompt payment of Taxes

The Borrower shall (and shall ensure that each Significant Subsidiary will) duly pay all Taxes payable by it, other than (a) those taxes which are being contested in good faith and by appropriate proceedings and in respect of which adequate reserves or other appropriate provisions have been made; or (b) whose amount does not exceed \$25,000,000 (or its equivalent in any other currencies).

20.14 *Pari passu*

The Borrower shall, and shall procure that each member of the Group will, procure that its obligations under the Finance Documents rank at least *pari passu* with all its other unsecured, unsubordinated obligations save where such other obligations are mandatorily preferred by law.

20.15 Loans and guarantees

- (a) The Borrower shall not (and the Borrower shall ensure that no member of the Group will):
- (i) make any loan, or provide any form of credit or financial accommodation, to any person (including, without limitation, its employees, shareholders, another member of the Group and any Affiliate); or
 - (ii) give or issue any guarantee, indemnity, bond or letter of credit to or for the benefit of, or in respect of liabilities or obligations of, any other person or voluntarily assume any liability (whether actual or contingent) of any other person (including, in each case and without limitation, its employees, shareholders, another member of the Group and any Affiliate).
- (b) The restrictions in paragraph (a) above do not apply to (i) loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit expressly permitted by the Finance Documents or for normal trade credit on arm's length terms and in the ordinary course of business or granted by a member of the Group to another member of the Group, provided that the aggregate amount of such loans, credits, financial accommodation, guarantees, indemnities, bonds and letters of credit does not at any time exceed 10 per cent. of the Borrower's Total Assets; (ii) guarantees by the Borrower in relation to the obligations of any other member of the Group; or (iii) the arrangements permitted under Clause 20.11 (*Transactions with Related Parties*).

21 EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 21 is an Event of Default.

21.1 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and

(b) payment is made within three Business Days of its due date.

21.2 Financial covenants

Any requirement of Clause 19 (*Financial Covenants*) is not satisfied.

21.3 Other obligations

- (a) The Borrower does not comply with any provision of the Finance Documents (other than those referred to in Clause 21.1 (*Non-payment*) and Clause 21.2 (*Financial Covenants*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the Agent giving notice to the Borrower or the Borrower becoming aware of the failure to comply.

21.4 Misrepresentation

Any representation or statement made or deemed to be made by the Borrower in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, and such representation or statement shall not have been rendered correct and not misleading within 10 Business Days of the Agent giving notice to the Borrower or the Borrower becoming aware of the same.

21.5 Cross default

- (a) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is not paid when due nor within any originally applicable grace period.
- (b) Any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any single commitment for any Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
- (d) Any creditor of any member of the Group becomes entitled to declare any single item of Financial Indebtedness of any member of the Group in an amount exceeding \$10,000,000 (or its equivalent in any other currency or currencies) due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) Any of the events described in paragraphs (a) to (d) above occurs in relation to any Financial Indebtedness or commitment for Financial Indebtedness of any amount (including, for the avoidance of doubt, any amount that is less than \$10,000,000 (or its equivalent in any other currency or currencies)), and the aggregate amount of all such Financial Indebtedness and commitments for Financial Indebtedness is in excess of \$35,000,000 (or its equivalent in any other currency or currencies).

21.6 Insolvency

- (a) The Borrower or a Significant Subsidiary is unable or admits its inability to pay its debts as they fall due, suspends making payments on its debts generally or, by reason of actual or anticipated

financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling its indebtedness generally.

- (b) The value of the assets of the Borrower or a Significant Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of the indebtedness of the Borrower or a Significant Subsidiary.

21.7 Insolvency proceedings

Any corporate action or legal proceedings are taken in relation to:

- (a) the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of the Borrower or a Significant Subsidiary, including, but not limited to, institution of supervision (*nablyudenie*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshneye upravlenie*) or bankruptcy management (*konkursnoye upravlenie*) (and such legal proceedings continue for at least 14 days);
- (b) the suspension of payments or a moratorium of any indebtedness of the Borrower or a Significant Subsidiary (and such suspension continues for at least 14 days);
- (c) the presentation or filing of a petition (or similar document) in respect of the Borrower or a Significant Subsidiary in any court, state arbitration court (*arbitrazhnyi sud*) or before any other authority in respect of the bankruptcy, winding-up, insolvency, dissolution, administration, reorganisation or liquidation of the Borrower or a Significant Subsidiary (and such petition has not been discharged within 14 days);
- (d) the appointment of a liquidator (*likvidator*) or a liquidation commission (*likvidatsionnaya komissiya*), temporary manager (*vremenniy upravlaushiy*), administrative manager (*administrativniy upravlaushiy*), external manager (*vneshniy upravlaushiy*), bankruptcy manager (*konkursniy upravlaushiy*), receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Borrower or a Significant Subsidiary or any of its assets (and such appointment continues for at least 14 days); or
- (e) the enforcement of any Security over any asset or assets of the Borrower or a Significant Subsidiary (unless such enforcement is stayed within 14 days),

or any analogous procedure or step is taken in any jurisdiction.

21.8 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Borrower or a Significant Subsidiary with a value in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and is not discharged or stayed within 30 days.

21.9 Judgment

The rendering against the Borrower or any Subsidiary of the Borrower of a judgment, decree or order for the payment of money in an amount in excess of \$10,000,000 (or its equivalent in any other currency or currencies) and the continuance of any such judgment, decree or order unsatisfied and in effect for any period of 60 consecutive days without a stay of execution.

21.10 Loss of Licence

(a) Any action results in the suspension for more than 30 days or the loss, revocation or termination of any of:

- (i) the Borrower's GSM 900 or 1800 licences for the Moscow licence area;
- (ii) Telecom XXI's GSM 900 or 1800 licences for the St. Petersburg licence area;
- (iii) Kuban GSM's GSM 900 or 1800 licences for the Krasnodar licence area; or
- (iv) UMC's GSM 900 or 1800 licences for the Ukraine licence area,

except where, within 30 days of any such event, the relevant licence is re-issued on substantially the same terms to any member of the Group and during the period falling before such re-issuance there is no material interruption to, or other material adverse effect on, the operations permitted by such licence as a direct result of such prior loss, revocation or termination.

- (b) Any of the Borrower's, Telecom XXI's, Kuban GSM's or UMC's GSM 900 or 1800 licences are amended (or any conditions are imposed with respect to any such licence) in a manner that, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (c) Any of the Borrower's, Telecom XXI's, Kuban GSM's or UMC's assigned spectrum allocations are reassigned to other users (other than a Significant Subsidiary of the Borrower), cancelled or otherwise lost, and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.
- (d) The Borrower sells, leases or otherwise transfers any of its GSM 900 or 1800 licences for the Moscow licence area.
- (e) Any of the Borrower's GSM 900 or 1800 licences (other than its GSM 900 and 1800 licences for the Moscow licence area) is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Borrower.
- (f)
 - (i) Any of the GSM 900 or 1800 licences of Telecom XXI, Kuban GSM or UMC is sold, leased or transferred to any person that is not (directly or indirectly) a wholly-owned Subsidiary of the Borrower.
 - (ii) Sub-clause (i) above does not apply to the transfer of the GSM 900 or 1800 licences of UMC pursuant to the UMC Litigation (provided that this sub-clause (ii) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

21.11 Cessation of Business

The Borrower or any Significant Subsidiary suspends, ceases or threatens to suspend or cease to carry on all or a substantial part of its business.

21.12 Expropriation

- (a) By or under the authority of any government:
 - (i) any seizure, compulsory acquisition, expropriation, nationalisation or renationalisation is made after the Signing Date of all or any material part of the assets or shares of (or other ownership interest in) any member of the Group;

- (ii) the management of any member of the Group is wholly or partially displaced or the authority of any member of the Group in the conduct of its business is wholly or partially curtailed; or
 - (iii) any member of the Group is otherwise deprived of, or prevented from exercising ownership or control of, its material business or assets.
- (b) Paragraph (a) above does not apply to the transfer of any or all of the Borrower's shares in UMC pursuant to the UMC Litigation to a person that is not a member of the Group (provided that this paragraph (b) shall not in any way prejudice the rights of the Finance Parties under Clause 21.18 (*UMC Litigation*)).

21.13 Russian Foreign Exchange Restrictions

Any foreign exchange law is enacted or introduced in the Russian Federation which has the effect of prohibiting, restricting or delaying any payment by the Borrower or any member of the Group under the Finance Documents.

21.14 Moratorium

Any moratorium is declared on the payment of any external indebtedness of the Russian Federation or of Russian residents generally.

21.15 The Russian Federation

The political or economic situation in the Russian Federation deteriorates or an act of war or hostilities, invasion, armed conflict or act of a foreign enemy, revolution, insurrection or insurgency occurs in, or involves, the Russian Federation and such event, in the reasonable opinion of the Majority Lenders, has or is reasonably likely to have a Material Adverse Effect.

21.16 Unlawfulness

It is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents.

21.17 Repudiation

The Borrower repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

21.18 UMC Litigation

The UMC Litigation is adversely determined and, in the reasonable opinion of the Majority Lenders, such adverse determination has or is reasonably likely to have a Material Adverse Effect.

21.19 Material adverse change

The Majority Lenders determine that a Material Adverse Effect exists, has occurred or is reasonably likely to occur.

21.20 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled;

- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders.

**SECTION 8
CHANGES TO PARTIES**

22 CHANGES TO THE LENDERS

22.1 Assignments and transfers by the Lenders

(a) Subject to this Clause 22, a Lender (the “**Existing Lender**”) may:

- (i) assign any of its rights; or
- (ii) transfer by novation any of its rights and obligations,

to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).

(b) Unless (i) the assignment or transfer is to an Affiliate of the Existing Lender or to another Lender or (ii) an Event of Default has occurred, any assignment or transfer occurring after the Syndication Date shall require the consent of the Borrower, provided that (1) such consent shall not be unreasonably withheld or delayed; and (2) unless the Borrower has notified the Agent to the contrary within 5 Business Days of receiving notice of the intended assignment or transfer, the Borrower will be deemed to have given its consent to that assignment or transfer.

22.2 Conditions of assignment or transfer

(a) An assignment will only be effective on:

- (i) receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and
- (ii) performance by the Agent of all “know your customer” or other checks relating to any person that it is required to carry out in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

(b) A transfer will only be effective if the procedure set out in Clause 22.5 (*Procedure for transfer*) is complied with.

(c) Any assignment or transfer by an Existing Lender to a New Lender shall only be effective if it transfers or assigns the Existing Lender’s share of each Facility pro rata.

(d) If:

- (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
- (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, the Borrower would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting

through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

22.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of \$1,000.

22.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of the Borrower;
 - (iii) the performance and observance by the Borrower of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of the Borrower and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
- (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 22; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Borrower of its obligations under the Finance Documents or otherwise.

22.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 22.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

- (b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) On the Transfer Date:
- (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents the Borrower and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “**Discharged Rights and Obligations**”);
 - (ii) the Borrower and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Borrower and the New Lender have assumed and/or acquired the same in place of the Borrower and the Existing Lender;
 - (iii) the Agent, the Mandated Lead Arrangers, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Mandated Lead Arrangers and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
 - (iv) the New Lender shall become a Party as a “Lender”.

22.6 Disclosure of information

Any Lender may disclose to any of its Affiliates and any other person:

- (a) to (or through) whom that Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
- (b) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or the Borrower; or
- (c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about the Borrower, the Group and the Finance Documents as that Lender shall consider appropriate if, in relation to paragraphs (a) and (b) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking. This Clause supersedes any previous agreement relating to the confidentiality of this information.

23 CHANGES TO THE BORROWER

The Borrower may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

**SECTION 9
THE FINANCE PARTIES**

24 ROLE OF THE AGENT AND THE MANDATED LEAD ARRANGERS

24.1 Appointment of the Agent

- (a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each other Finance Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to it under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

24.2 Duties of the Agent

- (a) The Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (d) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent or the Mandated Lead Arrangers) under this Agreement it shall promptly notify the other Finance Parties.
- (e) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

24.3 Role of the Mandated Lead Arrangers

Except as specifically provided in the Finance Documents, the Mandated Lead Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

24.4 No fiduciary duties

- (a) Nothing in this Agreement constitutes the Agent or the Mandated Lead Arrangers as a trustee or fiduciary of any other person.
- (b) Neither the Agent nor any Mandated Lead Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

24.5 Business with the Group

The Agent and the Mandated Lead Arrangers may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

24.6 Rights and discretions of the Agent

- (a) The Agent may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) The Agent may assume, unless it has received notice to the contrary in its capacity as agent for the Lenders, that:
 - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.1 (*Non-payment*)); and
 - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.
- (c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Agent may act in relation to the Finance Documents through its personnel and agents.
- (e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor any Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

24.7 Majority Lenders' instructions

- (a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

24.8 Responsibility for documentation

Neither the Agent nor any Mandated Lead Arranger:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Mandated Lead Arrangers, the Borrower or any other person given in or in connection with any Finance Document or the Information Memorandum; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

24.9 Exclusion of liability

- (a) Without limiting paragraph (b) below, the Agent will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause.
- (c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.
- (d) Nothing in this Agreement shall oblige the Agent or the Mandated Lead Arrangers to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Mandated Lead Arrangers that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Mandated Lead Arrangers.

24.10 Lenders’ indemnity to the Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent’s gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by the Borrower pursuant to a Finance Document).

24.11 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the other Finance Parties and the Borrower.
- (b) Alternatively the Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.
- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent (acting through an office in the United Kingdom).

- (d) The retiring Agent shall, at its own cost, make available to its successor such documents and records and provide such assistance as its successor may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (e) The Agent's resignation notice shall only take effect upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 24. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Borrower, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.

24.12 Confidentiality

- (a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

24.13 Relationship with the Lenders

- (a) The Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Agent with any information required by the Agent in order to calculate the Mandatory Cost in accordance with Schedule 4 (*Mandatory Cost formula*).

24.14 Credit appraisal by the Lenders

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Mandated Lead Arrangers that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of the Information Memorandum and any other information provided by the Agent, any Party or by any other person under or in

connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

24.15 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrower) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

24.16 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

25 CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

26 SHARING AMONG THE FINANCE PARTIES

26.1 Payments to Finance Parties

If a Finance Party (a “**Recovering Finance Party**”) receives or recovers any amount from the Borrower other than in accordance with Clause 27 (*Payment Mechanics*) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 27 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “**Sharing Payment**”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 27.5 (*Partial payments*).

26.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 27.5 (*Partial payments*).

26.3 Recovering Finance Party's rights

- (a) On a distribution by the Agent under Clause 26.2 (*Redistribution of payments*), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Borrower shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

26.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 26.2 (*Redistribution of payments*) shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and
- (b) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the Borrower will be liable to the reimbursing Finance Party for the amount so reimbursed.

26.5 Exceptions

- (a) This Clause 26 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**SECTION 10
ADMINISTRATION**

27 PAYMENT MECHANICS

27.1 Payments to the Agent

- (a) On each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Agent specifies.

27.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 27.3 (*Distributions to the Borrower*) and Clause 27.4 (*Clawback*), be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency.

27.3 Distributions to the Borrower

The Agent may (with the Borrower's consent or in accordance with Clause 28 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

27.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

27.5 Partial payments

- (a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
 - (i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent or the Mandated Lead Arrangers under the Finance Documents;

- (ii) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
 - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
 - (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

27.6 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

27.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

27.8 Currency of account

- (a) Subject to paragraphs (b) to (e) below, Dollars is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than Dollars shall be paid in that other currency.

27.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

- (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

28 SET-OFF

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

29 NOTICES

29.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

29.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrower, that identified with its name below;
- (b) in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and
- (c) in the case of the Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

29.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with its signature below (or any substitute department or officer as it shall specify for this purpose).
- (c) All notices from or to the Borrower shall be sent through the Agent.

29.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 29.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

29.5 Electronic communication

- (a) Any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

29.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

30 CALCULATIONS AND CERTIFICATES

30.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

30.2 Certificates and Determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

30.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the London interbank market differs, in accordance with that market practice.

31 PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

32 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

33 AMENDMENTS AND WAIVERS

33.1 Required consents

- (a) Subject to Clause 33.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause.

33.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of “**Majority Lenders**” in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
 - (iv) an increase in or an extension of any Commitment;
 - (v) a change to the Borrower;
 - (vi) any provision which expressly requires the consent of all the Lenders; or

(vii) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 22 (*Changes to the Lenders*), Clause 26 (*Sharing among the Finance Parties*) or this Clause 33,

shall not be made without the prior consent of all the Lenders.

(b) An amendment or waiver which relates to the rights or obligations of the Agent or the Mandated Lead Arrangers may not be effected without the consent of the Agent or the Mandated Lead Arrangers.

34 COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

SECTION 11
GOVERNING LAW AND ENFORCEMENT

35 GOVERNING LAW

This Agreement is governed by English law.

36 ARBITRATION

36.1 Arbitration

Subject to Clause 36.4 (*Agent's option*), any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules (the "**Rules**") of the London Court of International Arbitration (the "**LCIA Court**").

36.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court within 15 days of the appointment of the second arbitrator.
- (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court within 15 days of such failure. In the event that both the claimant (s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court within 15 days of such failure who shall designate one of them as chairman.
- (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court within 15 days of such agreement.
- (d) The seat of arbitration shall be London, England and the language of the arbitration shall be English.

36.3 Recourse to courts

Save as provided in Clause 36.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

36.4 Agent's option

Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Agent may (and, if so instructed by the Majority Lenders, shall) by notice in writing to the Borrower require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 37 (*Jurisdiction*).

37 JURISDICTION

37.1 Jurisdiction of English courts

- (a) The courts of England have exclusive jurisdiction to settle all Disputes.
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 37.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

37.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Borrower:

- (a) irrevocably appoints Law Debenture Corporation, located at the date hereof at 5th Floor, 100 Wood Street, London EC2V 7EX, England, as its agent for service of process in relation to any proceedings commenced in accordance with this Agreement; and
- (b) agrees that failure by a process agent to notify the Borrower of the process will not invalidate the proceedings concerned.

37.3 Waiver of immunity

The Borrower irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Borrower irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
The Original Lenders

<u>Name of Original Lender</u>	<u>Facility 1 Commitment (US\$)</u>	<u>Facility 2 Commitment (US\$)</u>
ABN AMRO Bank N.V.	\$ 35,000,000	\$ 52,500,000
Bank Austria Creditanstalt AG	\$ 30,000,000	\$ 45,000,000
Commerzbank (Eurasija) SAO	\$ 30,000,000	\$ 45,000,000
HSBC Bank plc	\$ 35,000,000	\$ 52,500,000
ING Bank N.V.	\$ 35,000,000	\$ 52,500,000
Raiffeisen Zentralbank Oesterreich AG	\$ 19,000,000	\$ 28,500,000
ZAO Raiffeisenbank Austria	\$ 16,000,000	\$ 24,000,000
TOTAL:	\$ 200,000,000	\$ 300,000,000

SCHEDULE 2
Conditions precedent

1 Finance Documents

Executed originals of:

- (a) this Agreement;
- (b) each Fee Letter;
- (c) the Mandate Letter; and
- (d) the Syndication Side Letter.

2 The Borrower

- (a) Certified copies of the Borrower's duly registered constitutional documents and certificates of registration.
- (b) Certified copies of all corporate resolutions necessary to authorise the Borrower to execute and perform the Finance Documents and any documents referred to therein and the transactions contemplated thereunder (including but not limited to any major transaction approvals or interested party transaction approvals, if applicable).
- (c) Evidence of the authority of the relevant signatories of the Borrower (including, but not limited to, its Chief Accountant) to execute each Finance Document to which it is a party and any documents referred to therein and the transactions contemplated thereunder.
- (d) A certified copy of the most recent balance sheet of the Borrower by reference to the date of each Finance Document.
- (e) A certificate executed on behalf of the Borrower:
 - (i) certifying the sample signature and office of each person that signed the relevant Finance Document and any documents referred to therein and the transactions contemplated thereunder on behalf of the Borrower and certifying that such signatories hold the positions in which capacity they executed such documents; and
 - (ii) certifying that each copy document relating to it specified in this Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

3 Legal opinions

- (a) A legal opinion of Linklaters as to matters of English law.
- (b) A legal opinion of Linklaters CIS as to matters of Russian law.
- (c) An in-house legal opinion of the Borrower.

4 Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 37.2 (*Service of process*) has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection

with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

- (c) The Original Financial Statements.
- (d) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and 16 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.
- (e) A copy of the *deal passport* of the Borrower (in the form established by Instruction No. 117-I of the Central Bank of the Russian Federation dated 15 June 2004) accepted and duly certified by a Russian authorised bank and copies of all other documents submitted by the Borrower to the Russian authorised bank in accordance with applicable Russian currency control regulations, as the Agent may reasonably require (or evidence that all documents required to obtain such *deal passport* have been duly submitted to ING Bank (Eurasia) ZAO by or on behalf of the Borrower).
- (f) Such other documents or evidence which the Agent may reasonably require.

SCHEDULE 3
Utilisation Request

From: Mobile TeleSystems Open Joint Stock Company

To: ING Bank N.V., London Branch as Agent

Dated:

Dear Sirs

Mobile TeleSystems Open Joint Stock Company — US\$500,000,000 Facility Agreement
dated [] (the “Agreement”)

1 We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2 We wish to borrow a Loan on the following terms:

Proposed Utilisation Date:	[] or, if that is not a Business Day, the next Business Day)
Facility to be utilised	[Facility 1]/[Facility 2](1)
Amount:	[] or, if less, the Available Facility

(1) Delete as appropriate

3 We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

4 The proceeds of this Loan should be credited to [specify R-1-type special bank account of the Borrower, which must be an account with an authorised bank of the Russian Federation].

5 This Utilisation Request is irrevocable.

Mobile TeleSystems Open Joint Stock Company

By: _____
Name:
Title:

By: _____
Name:
Title: Chief Accountant

SCHEDULE 4
Mandatory Cost formula

- 1** The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
- 2** On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the “**Additional Cost Rate**”) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders’ Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
- 3** The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Agent. This percentage will be certified by that Lender in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender’s participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
- 4** The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum.}$$

Where:

- E** is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
- 5** For the purposes of this Schedule:
 - (a) “**Fees Rules**” means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (b) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (c) “**Tariff Base**” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
 - 6** The resulting figure shall be rounded to four decimal places.
 - 7** If requested by the Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that

Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8 Each Lender shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

- (a) the jurisdiction of its Facility Office; and
- (b) any other information that the Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Agent of any change to the information provided by it pursuant to this paragraph.

9 The rates of charge of each Reference Bank for the purpose of E above shall be determined by the Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above.

10 The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11 The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12 Any determination by the Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.

13 The Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.

SCHEDULE 5
Form of Transfer Certificate

To: ING Bank N.V., London Branch as Agent

From: [] (the “Existing Lender”) and [] (the “New Lender”)

Dated:

Mobile TeleSystems Open Joint Stock Company — US\$500,000,000 Facility Agreement
dated [] (the “Agreement”)

- 1** We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
- 2** We refer to Clause 22.5 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender’s Commitment, rights and obligations referred to in the Schedule in accordance with Clause 22.5 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [].
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 29.2 (*Addresses*) are set out in the Schedule.
- 3** The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in paragraph (c) of Clause 22.4 (*Limitation of responsibility of Existing Lenders*).
- 4** This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
- 5** This Transfer Certificate is governed by English law.

THE SCHEDULE
Commitment/rights and obligations to be transferred

[insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments.]

[Existing Lender]

[New Lender]

By:

By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as [_____].

ING Bank N.V., London Branch

By:

SCHEDULE 6
Form of Compliance Certificate

To: ING Bank N.V., London Branch as Agent
From: Mobile TeleSystems Open Joint Stock Company
Dated:

Dear Sirs

Mobile TeleSystems Open Joint Stock Company — US\$500,000,000 Facility Agreement
dated [_____] (the “Agreement”)

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

1 [We confirm that no Default is continuing.]*

* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

2 We confirm that the ratio of Borrowings as at the end of the Relevant Period ending on [•] to EBITDA in respect of such Relevant Period, was [•].

3 We confirm that the ratio of EBITDA to Interest Expense for the Relevant Period ending on [•], was [•].

Signed:

[Chief Financial Officer] of
Mobile TeleSystems Open Joint Stock Company

**insert applicable certification language*

We have reviewed the Facility Agreement and audited consolidated financial statements of the Mobile TeleSystems Open Joint Stock Company for the year ended [_____].

On the basis of that review and audit, nothing has come to our attention which would require any modification to the confirmations in paragraphs 2 or 3 of the above Compliance Certificate.

.....

for and on behalf of

name of auditors of Mobile TeleSystems Open Joint Stock Company

The Borrower

Mobile TeleSystems Open Joint Stock Company

Address: 4 Marksistskaya Street,
109147 Moscow, Russian Federation

Fax No: +7 095 911 6531

Attention: Tatiana Evtoushenkova
Vice President for Investments and
Corporate Development

By: _____
Name: Tatiana Evtoushenkova
Title: Vice President for Investments and
Corporate Development

By: _____
Name: R.Kolomiets
Title: Chief Accountant

The Original Mandated Lead Arrangers

ABN AMRO Bank N.V.

By: _____
Name:
Title:

HSBC Bank plc

By: _____
Name:
Title:

ING Bank N.V.

By: _____
Name:
Title:

Raiffeisen Zentralbank Oesterreich AG

By: _____
Name:
Title:

The New Mandated Lead Arrangers

Bank Austria Creditanstalt AG

By: _____
Name:
Title:

Commerzbank Aktiengesellschaft

By: _____
Name:
Title:

The Original Lenders

ABN AMRO Bank N.V.

By: _____
Name:
Title:

Bank Austria Creditanstalt AG

By: _____
Name:
Title:

Commerzbank (Eurasija) SAO

By: _____
Name:
Title:

HSBC Bank plc

By: _____
Name:
Title:

ING Bank N.V.

By: _____
Name:
Title:

Raiffeisen Zentralbank Oesterreich AG

By: _____
Name:
Title:

ZAO Raiffeisenbank Austria

By: _____
Name:
Title:

The Agent

ING Bank N.V., London Branch

Address: 60 London Wall
London EC2M 5TQ

Fax: +44 207 767 7324

Attention: David Hobbs/Craig Baker
Agency Operations

By: _____

Name:

Title:

DOC 26 Header

AMENDMENT AND TRANSFER AGREEMENT

dated 26 July 2004

for

MOBILE TELESYSTEMS OPEN JOINT STOCK COMPANY

arranged by

**ABN AMRO BANK N.V.
HSBC BANK PLC
ING BANK N.V.
RAIFFEISEN ZENTRALBANK OESTERREICH AG**

as Original Mandated Lead Arrangers

**BANK AUSTRIA CREDITANSTALT AG
COMMERZBANK AKTIENGESELLSCHAFT**

as New Mandated Lead Arrangers

and

BARCLAYS CAPITAL

(the investment banking division of Barclays Bank PLC)

as Additional New Mandated Lead Arranger

with

THE FINANCIAL INSTITUTIONS listed in Schedule 1

and

ING BANK N.V., LONDON BRANCH

acting as Agent

relating to a Facility Agreement
dated 26 July 2004

Linklaters CIS

Paveletskaya Sq. 2, bld.2
Moscow 115054

Telephone (7-095) 797 9797
Facsimile (7-095) 797 9798

Ref MIYB

1	DEFINITIONS AND INTERPRETATION	1
2	CONDITIONS PRECEDENT	2
3	REPRESENTATIONS	2
4	AMENDMENTS AND TRANSFERS	3
5	MISCELLANEOUS	4
6	GOVERNING LAW	5
7	ARBITRATION	5
8	JURISDICTION	6
	Schedule 1 The Original Lenders	7
	Part 1 The Existing Lenders	7
	Part 2 The New Lenders	8
	Schedule 2 Conditions Precedent	9
	Schedule 3 Amendments to Original Facility Agreement	11
	Schedule 4 Transfer Details	14

THIS AGREEMENT is dated 26 July 2004 and made between:

- (1) **Mobile Telesystems Open Joint Stock Company** (the “**Borrower**”);
- (2) **ABN AMRO Bank N.V., HSBC Bank plc, ING Bank N.V. and Raiffeisen Zentralbank Oesterreich AG** as original mandated lead arrangers (the “**Original Mandated Lead Arrangers**”);
- (3) **Bank Austria Creditanstalt AG and Commerzbank Aktiengesellschaft** as new mandated lead arrangers (the “**New Mandated Lead Arrangers**”);
- (4) **Barclays Capital (the investment banking division of Barclays Bank PLC)** as additional new mandated lead arranger (the “**Additional New Mandated Lead Arranger**”);
- (5) **The Financial Institutions** listed in Part 1 of Schedule 1 as existing lenders (the “**Existing Lenders**”);
- (6) **The Financial Institutions** listed in Part 2 of Schedule 1 as new lenders (the “**New Lenders**”); and
- (7) **ING Bank N.V., London Branch** as agent (the “**Agent**”).

RECITALS:

- (A) The Borrower, the Original Mandated Lead Arrangers, the New Mandated Lead Arrangers, the Existing Lenders and the Agent are parties to an Original Facility Agreement (as defined below) providing, inter alia, for the grant of a loan facility (“**Facility 1**”) in an aggregate principal amount of US\$200,000,000 and for the grant of a loan facility (“**Facility 2**”) in an aggregate principal amount of US\$300,000,000.
- (B) The Borrower wishes to increase the aggregate principal amount of Facility 2 from US\$300,000,000 to US\$400,000,000 and certain of the New Lenders are willing to provide additional commitments under Facility 2 with respect to such increase, subject to the terms and conditions of this Agreement.
- (C) The New Lenders wish to become parties to the Original Facility Agreement as Original Lenders.
- (D) The Additional New Mandated Lead Arranger wishes to become party to the Original Facility Agreement as a New Mandated Lead Arranger.
- (E) Accordingly, the Borrower, the Original Mandated Lead Arrangers, the New Mandated Lead Arrangers, the Existing Lenders, the New Lenders and the Agent wish to (i) amend certain provisions of the Original Facility Agreement and (ii) provide for the transfer by novation of certain rights and obligations of the Existing Lenders under the Original Facility Agreement to the New Lenders.

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Amended Agreement**” means the Original Facility Agreement, as amended by this Agreement.

“**Designated New Lenders**” means Bank Natexis ZAO, Banque Societe Generale Vostok, Bayerische Landesbank, BNP Paribas, Intesa Bank Ireland plc, Israel Discount Bank of New York,

KfW IPEX-Bank, Landesbank Sachsen Girozentrale, Persia International Bank plc, WestLB AG, ZAO Banca Intesa and ZAO Citibank.

“**Original Facility Agreement**” means the Facility Agreement dated 26 July 2004 between the Borrower, the Original Mandated Lead Arrangers, the New Mandated Lead Arrangers, the Existing Lenders and the Agent.

“**Party**” means a party to this Agreement.

“**Relevant Date**” means 7 October 2004 (or such later date as may be agreed by the Agent) .

“**Relevant Finance Party**” means any of the Original Mandated Lead Arrangers, the New Mandated Lead Arrangers, the Additional New Mandated Lead Arranger, the Existing Lenders, the New Lenders and the Agent.

“**Relevant Majority Lenders**” means Existing Lenders and New Lenders whose Commitments (as defined in the Amended Agreement) aggregate more than 66⅔% of the Total Commitments (as defined in the Amended Agreement).

“**Second Fee Letter**” means the letter dated on or about the date of this Agreement between the Original Mandated Lead Arrangers and the Borrower in relation to certain fees.

1.2 Incorporation of defined terms

- (a) Unless a contrary indication appears, a term defined in the Original Facility Agreement has the same meaning in this Agreement.
- (b) The principles of construction set out in Clause 1.2 (*Construction*) of the Original Facility Agreement shall have effect as if set out in this Agreement.

1.3 Clauses

In this Agreement any reference to a “Clause” or a “Schedule” is, unless the context otherwise requires, a reference to a Clause of or a Schedule to this Agreement.

1.4 Third Party Rights

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

1.5 Designation

In accordance with the Original Facility Agreement, each of the Borrower and the Agent designates this Agreement as a Finance Document.

2 CONDITIONS PRECEDENT

The provisions of Clause 4 (*Amendments and Transfers*) shall be effective on the Relevant Date provided that the Agent has received all the documents and other evidence listed in Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent on or before 1 October 2004 (or such other date as may be agreed by the Agent). The Agent shall notify the Borrower, the Existing Lenders and the New Lenders promptly upon being so satisfied.

3 REPRESENTATIONS

The Borrower makes the Repeating Representations, and the representations and warranties in Clauses 17.8 (*Deduction of Tax*), 17.9 (*No filing or stamp taxes*) and paragraph (c) of Clause 17.13 (*Financial Statements*) of the Original Facility Agreement, by reference to the facts and circumstances then existing:

(a) on the date of this Agreement; and

(b) on the Relevant Date,

but as if references in Clause 17 (*Representations*) to the Original Facility Agreement are, for the purposes of (a) above, instead to this Agreement and, for the purposes of (b) above, are to the Amended Agreement.

4 AMENDMENTS AND TRANSFERS

4.1 Amendments

Provided that the Agent has given the notification under Clause 2 (*Conditions Precedent*), with effect from the Relevant Date, the Original Facility Agreement shall be amended as set out in Schedule 3 (*Amendments to Original Facility Agreement*).

4.2 Transfers

Provided that the Agent has given the notification under Clause 2 (*Conditions Precedent*), on the Relevant Date:

- (a) each Existing Lender shall transfer to each New Lender set out opposite its name in Schedule 4 (*Transfer Details*) by novation that part of that Existing Lender's Commitment, rights and obligations under the Finance Documents referred to opposite that New Lender's name in said Schedule 4;
- (b) to the extent that the rights and obligations of any Existing Lender under the Finance Documents are transferred to a New Lender under paragraph (a) above, the Borrower and that Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (being the "**Discharged Rights and Obligations**");
- (c) the Borrower and each New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Borrower and that New Lender have assumed and/or acquired the same in place of the Borrower and the relevant Existing Lender;
- (d) the Agent, the Mandated Lead Arrangers, each New Lender and the other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had that New Lender been an Existing Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer under paragraph (a) above and to that extent the Agent, the Mandated Lead Arrangers and the relevant Existing Lender shall each be released from further obligations to each other under the Finance Documents;
- (e) each New Lender shall become a party to the Amended Agreement as an Original Lender with the Commitments set out opposite its name under the headings "Facility 1 Commitment" and "Facility 2 Commitment" in Schedule 1 (*The Original Lenders*) of the Amended Agreement; and
- (f) each Existing Lender shall continue to be a party to the Amended Agreement as an Original Lender with the Commitments set out opposite its name under the headings "Facility 1 Commitment" and "Facility 2 Commitment" in Schedule 1 (*The Original Lenders*) of the Amended Agreement.

For the avoidance of doubt, all Parties agree that paragraphs (b) and (c) of Clause 22.2 (*Conditions of assignment or transfer*) of the Original Facility Agreement shall not apply to the transfers under this Clause 4.2.

4.3 Additional Facility 2 Commitments

Provided that the Agent has given the notification under Clause 2 (*Conditions Precedent*), notwithstanding that no transfer in respect of Facility 2 was made to any Designated New Lender under Clause 4.2 (*Transfers*), on the Relevant Date each of the Designated New Lenders shall become a party to the Amended Agreement as an Original Lender with the Facility 2 Commitment set out opposite its name under the heading “Facility 2 Commitment” in Schedule 1 (*The Original Lenders*) of the Amended Agreement.

4.4 Barclays Capital

Provided that the Agent has given the notification under Clause 2 (*Conditions Precedent*), on the Relevant Date the Additional New Mandated Lead Arranger shall become a Party to the Amended Agreement as a New Mandated Lead Arranger.

4.5 Continuing obligations

The provisions of the Original Facility Agreement and the other Finance Documents shall, save as amended by this Agreement, continue in full force and effect.

5 MISCELLANEOUS

5.1 Incorporation of terms

The provisions of Clause 29 (*Notices*) of the Original Facility Agreement shall be incorporated into this Agreement as if set out in full in this Agreement and as if references in those clauses to “this Agreement” are references to this Agreement.

5.2 Counterparts

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

5.3 Limitation of responsibility of Existing Lenders

(a) Unless expressly agreed to the contrary, the Existing Lenders make no representation or warranty and assume no responsibility to the New Lenders for:

- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
- (ii) the financial condition of the Borrower;
- (iii) the performance and observance by the Borrower of its obligations under the Finance Documents or any other documents; or
- (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lenders and the other Relevant Finance Parties that it:

- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower and its related entities in connection

with its participation in this Agreement and has not relied exclusively on any information provided to it by any Existing Lender in connection with any Finance Document; and

- (ii) will continue to make its own independent appraisal of the creditworthiness of the Borrower and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
- (i) accept a re-transfer from a New Lender of any of the rights and obligations transferred under Clause 4.2 (*Transfers*); or
 - (ii) support any losses directly or indirectly incurred by any New Lender by reason of the non-performance by the Borrower of its obligations under the Finance Documents or otherwise.

5.4 Transfer condition

If, as a result of circumstances existing at the Relevant Date, the Borrower would be obliged to make a payment to a New Lender under Clause 12 (*Tax gross-up and indemnities*) or Clause 13.1 (*Increased Costs*) of the Amended Agreement, then such New Lender is only entitled to receive payment under those clauses to the same extent as the Existing Lender (from whom such New Lender acquired its rights and obligations under the Finance Documents) would have been, if the transfer to such New Lender referred to in Schedule 4 (*Transfer Details*) had not occurred.

6 GOVERNING LAW

This Agreement is governed by English law.

7 ARBITRATION

7.1 Arbitration

Subject to Clause 7.4 (*Agent's option*), any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules (the "**Rules**") of the London Court of International Arbitration (the "**LCIA Court**").

7.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court within 15 days of the appointment of the second arbitrator.
- (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court within 15 days of such failure who shall designate one of them as chairman.
- (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court within 15 days of such agreement.
- (d) The seat of arbitration shall be London, England and the language of the arbitration shall be English.

7.3 Recourse to courts

Save as provided in Clause 7.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

7.4 Agent's option

Before an arbitrator has been appointed by a Relevant Finance Party to determine a Dispute, the Agent may (and, if so instructed by the Relevant Majority Lenders, shall) by notice in writing to the Borrower require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 8 (*Jurisdiction*).

8 JURISDICTION

8.1 Jurisdiction of English courts

- (a) The courts of England have exclusive jurisdiction to settle all Disputes.
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 8.1 is for the benefit of the Relevant Finance Parties only. As a result, no Relevant Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Relevant Finance Parties may take concurrent proceedings in any number of jurisdictions.

8.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Borrower:

- (a) irrevocably appoints Law Debenture Corporation, located at the date hereof at 5th floor, 100 Wood Street, London EC2V 7EX, England as its agent for service of process in relation to any proceedings commenced in accordance with this Agreement; and
- (b) agrees that failure by a process agent to notify it of the process will not invalidate the proceedings concerned.

8.3 Waiver of immunity

The Borrower irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Borrower irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Schedule 1
The Original Lenders

Part 1
The Existing Lenders

ABN AMRO Bank N.V.

Bank Austria Creditanstalt AG

Commerzbank (Eurasija) SAO

HSBC Bank plc

ING Bank N.V.

Raiffeisen Zentralbank Oesterreich AG

ZAO Raiffeisenbank Austria

Part 2
The New Lenders

Bank Natexis ZAO
Banque Societe Generale Vostok
Barclays Bank PLC
Bayerische Landesbank
BNP Paribas
BTM (Europe) Limited
Dresdner Bank AG Niederlassung Luxemburg
Intesa Bank Ireland plc
InvestKredit Bank AG
Israel Discount Bank of New York
KfW IPEX-Bank
Landesbank Sachsen Girozentrale
Persia International Bank plc
Sumitomo Mitsui Banking Corporation Europe Limited
WestLB AG
ZAO Citibank

Schedule 2
Conditions Precedent

1 Finance Document

- (a) Executed originals of this Agreement.
- (b) Executed originals of the Second Fee Letter.

2 The Borrower

- (a) Certified copies of the Borrower's duly registered constitutional documents and certificates of registration (as in force at the date of this Agreement).
- (b) Certified copies of all corporate resolutions necessary to authorise the Borrower to execute and perform this Agreement and any documents referred to herein and the transactions contemplated hereunder (including but not limited to any major transaction approvals or interested party transaction approvals, if applicable).
- (c) Evidence of the authority of the relevant signatories of the Borrower (including, but not limited to, the Chief Accountant) to execute this Agreement and any documents referred to herein.
- (d) A certified copy of the most recent balance sheet of the Borrower as at the date of this Agreement.
- (e) A certificate executed on behalf of the Borrower:
 - (i) certifying the sample signature and office of each person that signed this Agreement and any documents referred to herein on its behalf and certifying that such signatories hold the positions in which capacity they executed such documents; and
 - (ii) certifying that each copy document relating to it that is specified in this Schedule 2 is correct, complete and in full force and effect as of a date no earlier than the date of this Agreement.

3 Legal opinions

- (a) A legal opinion of Linklaters as to matters of English law.
- (b) A legal opinion of Linklaters CIS as to matters of Russian law.
- (c) An in-house legal opinion of the Borrower.

4 Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 8.2 (*Service of Process*) has accepted its appointment.
- (b) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by this Agreement or for the validity and enforceability of this Agreement.
- (c) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 16 (*Costs and expenses*) of the Original Facility Agreement have been paid.
- (d) A copy of the *deal passport* of the Borrower (in the form established by Instruction No. 117-I of the Central Bank of the Russian Federation dated 15 June 2004) accepted and duly certified by a Russian authorised bank and copies of all other documents submitted by the Borrower to the Russian authorised bank in accordance with applicable Russian currency control regulations, as

the Agent may reasonably require (or evidence that all documents required to obtain such *deal passport* have been duly submitted to ING Bank (Eurasia) ZAO by or on behalf of the Borrower).

- (e) Such other documents or evidence which the Agent may reasonably require.

Note: Condition precedent documents need not be provided if and to the extent they have already been provided in connection with the Original Facility Agreement (and provided that any documents provided in connection with the Original Facility Agreement do not need to be updated).

Schedule 3
Amendments to Original Facility Agreement

- 1** The reference on the front cover of the Original Facility Agreement to “US\$500,000,000” SHALL BE AMENDED to read “US\$600,000,000”.
- 2** Each reference on the front cover and on page 1 of the Original Facility Agreement to Bank Austria Creditanstalt AG and Commerzbank Aktiengesellschaft as new mandated lead arrangers shall be supplemented by adding a reference to Barclays Capital (the investment banking division of Barclays Bank PLC) as a new mandated lead arranger.
- 3** The definition of “Fee Letters” in Clause 1.1 (*Definitions*) of the Original Facility Agreement which currently reads:
 ““**Fee Letters**” means each of the letters dated 2 July 2004 between the Original Mandated Lead Arrangers and the Borrower (or the Agent and the Borrower) setting out the fees referred to in Clause 11 (*Fees*).”
 SHALL BE AMENDED to read:
 ““**Fee Letters**” means each of the letters dated 2 July 2004, and dated on or about 2004, between the Original Mandated Lead Arrangers and the Borrower (or the Agent and the Borrower) setting out the fees referred to in Clause 11 (*Fees*).”
- 4** The definition of “**Total Commitments**” in Clause 1.1 (*Definitions*) of the Original Facility Agreement, which currently reads:
 ““**Total Commitments**” means the aggregate of the Total Facility 1 Commitments and the Total Facility 2 Commitments, being \$500,000,000 at the Signing Date.”
 SHALL BE AMENDED to read:
 ““**Total Commitments**” means the aggregate of the Total Facility 1 Commitments and the Total Facility 2 Commitments, being \$600,000,000 at the Relevant Date (as defined in the Amendment and Transfer Agreement between the Parties dated 26 July 2004).”
- 5** The definition of “**Total Facility 2 Commitments**” in Clause 1.1 (*Definitions*) of the Original Facility Agreement, which currently reads:
 ““**Total Facility 2 Commitments**” means the aggregate of the Facility 2 Commitments, being \$300,000,000 at the Signing Date.”
 SHALL BE AMENDED to read:
 ““**Total Facility 2 Commitments**” means the aggregate of the Facility 2 Commitments, being \$400,000,000 at the Relevant Date (as defined in the Amendment and Transfer Agreement between the Parties dated 26 July 2004).”
- 6** Schedule 1 (*The Original Lenders*) of the Original Facility Agreement which currently reads:

Name of Original Lender	Facility 1 Commitment	Facility 2 Commitment
ABN AMRO Bank N.V.	\$ 35,000,000	\$ 52,500,000
Bank Austria Creditanstalt AG	\$ 30,000,000	\$ 45,000,000

Commerzbank (Eurasija) SAO	\$ 30,000,000	\$ 45,000,000
HSBC Bank plc	\$ 35,000,000	\$ 52,500,000
ING Bank N.V.	\$ 35,000,000	\$ 52,500,000
Raiffeisen Zentralbank Oesterreich AG	\$ 19,000,000	\$ 28,500,000
ZAO Raiffeisenbank Austria	\$ 16,000,000	\$ 24,000,000
TOTAL:	\$ 200,000,000	\$ 300,000,000

SHALL BE AMENDED to read:

Name of Original Lender	Facility 1 Commitment	Facility 2 Commitment
ABN AMRO Bank N.V.	\$ 21,250,000.00	\$ 42,500,000.00
Bank Austria Creditanstalt AG	\$ 13,333,333.33	\$ 26,666,666.67
Bank Natexis ZAO	\$ 3,333,333.33	\$ 6,666,666.67
Banque Societe Generale Vostok	\$ 3,333,333.33	\$ 6,666,666.67
Barclays Bank PLC	\$ 16,666,666.67	\$ 33,333,333.33
Bayerische Landesbank	\$ 6,666,666.67	\$ 13,333,333.33
BNP Paribas	\$ 3,333,333.33	\$ 6,666,666.67
BTM (Europe) Limited	\$ 10,000,000.00	\$ 20,000,000.00
Commerzbank (Eurasija) ZAO	\$ 13,333,333.33	\$ 26,666,666.67
Dresdner Bank AG Niederlassung Luxemburg	\$ 13,333,333.33	\$ 26,666,666.67
HSBC Bank plc	\$ 17,916,666.67	\$ 35,833,333.33
ING Bank N.V.	\$ 19,583,333.33	\$ 39,166,666.67
Intesa Bank Ireland plc	\$ 1,333,333.33	\$ 2,666,666.67
InvestKredit Bank AG	\$ 1,666,666.67	\$ 3,333,333.33
Israel Discount Bank of New York	\$ 1,666,666.67	\$ 3,333,333.33
KfW IPEX-Bank	\$ 6,666,666.67	\$ 13,333,333.33
Landesbank Sachsen Girozentrale	\$ 1,666,666.67	\$ 3,333,333.33
Persia International Bank plc	\$ 3,333,333.33	\$ 6,666,666.67
Raiffeisen Zentralbank Oesterreich AG	\$ 9,726,190.48	\$ 19,452,380.95
Sumitomo Mitsui Banking Corporation Europe Limited	\$ 5,000,000.00	\$ 10,000,000.00
WestLB AG	\$ 10,000,000.00	\$ 20,000,000.00

ZAO Banca Intesa	\$ 2,000,000.00	\$ 4,000,000.00
ZAO Citibank	\$ 6,666,666.67	\$ 13,333,333.33
ZAO Raiffeisenbank Austria	\$ 8,190,476.19	\$ 16,380,952.38
TOTAL:	\$ 200,000,000.00	\$ 400,000,000.00

- 7 The reference in Schedule 3 (Utilisation Request) of the Original Facility Agreement to “US\$500,000,000” SHALL BE AMENDED to read “US\$600,000,000”.
- 8 The reference in Schedule 5 (Form of Transfer Certificate) of the Original Facility Agreement to “US\$500,000,000” SHALL BE AMENDED to read “US\$600,000,000”.
- 9 The reference in Schedule 6 (Form of Compliance Certificate) of the Original Facility Agreement to “US\$500,000,000” SHALL BE AMENDED to read “US\$600,000,000”.

**Schedule 4
Transfer Details**

Commitment/rights and obligations to be transferred

Name of Existing Lender	Name of New Lender	Facility 1 Commitment	Facility 2 Commitment
ABN Amro Bank N.V.	BTM (Europe) Limited	10,000,000.00	—
ABN Amro Bank N.V.	Sumitomo Mitsui Banking Corporation Europe Limited	3,750,000.00	10,000,000.00
Bank Austria Creditanstalt AG, Vienna	Dresdner Bank AG Niederlassung Luxemburg	13,333,333.33	—
Bank Austria Creditanstalt AG, Vienna	Intesa Bank Ireland plc	2,000,000.00	—
Bank Austria Creditanstalt AG, Vienna	ZAO Banca Intesa	1,333,333.33	
Bank Austria Creditanstalt AG, Vienna	Barclays Bank PLC	—	18,333,333.33
Commerzbank (Eurasija) ZAO	Barclays Bank PLC	16,666,666.67	—
Commerzbank (Eurasija) ZAO	Dresdner Bank AG Niederlassung Luxemburg	—	18,333,333.33
HSBC Bank plc	WestLB AG	10,000,000.00	—
HSBC Bank plc	Bayerische Landesbank	6,666,666.67	—
HSBC Bank plc	InvestKredit Bank	416,666.67	1,666,666.67
HSBC Bank plc	Barclays Bank PLC	—	15,000,000.00
ING Bank N.V.	Sumitomo Mitsui Banking Corporation Europe Limited	1,250,000.00	—
ING Bank N.V.	BNP Paribas	726,190.48	—
ING Bank N.V.	Bank Natexis ZAO	3,333,333.33	—
ING Bank N.V.	Persia International Bank plc	3,333,333.33	—
ING Bank N.V.	Banque Societe Generale Vostok	2,190,476.19	—
ING Bank N.V.	InvestKredit Bank	1,250,000.00	—
ING Bank N.V.	Israel Discount Bank of New York	1,666,666.67	—
ING Bank N.V.	Landesbank Sachsen Girozentrale	1,666,666.67	—
ING Bank N.V.	BTM (Europe) Limited	—	13,333,333.33
Raiffeisen Zentralbank Oesterreich AG	ZAO Citibank	6,666,666.67	—
Raiffeisen Zentralbank Oesterreich AG	BNP Paribas	2,607,142.86	—

Raiffeisen Zentralbank Oesterreich AG	Dresdner Bank AG Niederlassung Luxemburg	—	8,333,333.33
Raiffeisen Zentralbank Oesterreich AG	InvestKredit Bank	—	714,285.71
ZAO Raiffeisenbank Austria	KfW IPEX-Bank	6,666,666.67	—
ZAO Raiffeisenbank Austria	Banque Societe Generale Vostok	1,142,857.14	—
ZAO Raiffeisenbank Austria	BTM (Europe) Limited	—	6,666,666.67
ZAO Raiffeisenbank Austria	InvestKredit Bank	—	952,380.95

The Borrower

Mobile TeleSystems Open Joint Stock Company

By: _____
Name: Vassily V. Sidorov
Title: President and CEO

By: _____
Name: Rausia M. Kolomiets
Title: Chief Accountant

The Original Mandated Lead Arrangers

ABN AMRO Bank N.V.

By: _____
Name:
Title:

HSBC Bank plc

By: _____
Name:
Title:

ING Bank N.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

Raiffeisen Zentralbank Oesterreich AG

By: _____
Name:
Title:

By: _____
Name:
Title:

The New Mandated Lead Arrangers

Bank Austria Creditanstalt AG

By: _____
Name:
Title:

Commerzbank Aktiengesellschaft

By: _____
Name:
Title:

The Additional New Mandated Lead Arranger

Barclays Capital (the investment banking division of Barclays Bank PLC)

By: _____

Name:

Title:

The Existing Lenders

ABN AMRO Bank N.V.

By: _____

Name:

Title:

Bank Austria Creditanstalt AG

By: _____

Name:

Title:

Commerzbank (Eurasija) ZAO

By: _____

Name:

Title:

HSBC Bank plc

By: _____
Name:
Title:

ING Bank N.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

Raiffeisen Zentralbank Oesterreich AG

By: _____
Name:
Title:

By: _____
Name:
Title:

ZAO Raiffeisenbank Austria

By: _____
Name:
Title:

The New Lenders

Bank Natexis ZAO

By: _____
Name:
Title:

By: _____
Name:
Title:

Banque Societe Generale Vostok

By: _____
Name:
Title:

By: _____
Name:
Title:

Barclays Bank PLC

By: _____
Name:
Title:

By: _____
Name:
Title:

Bayerische Landesbank

By: _____
Name:
Title:

By: _____
Name:
Title:

BNP Paribas

By: _____
Name:
Title:

By: _____
Name:
Title:

BTM (Europe) Limited

By: _____
Name:
Title:

By: _____
Name:
Title:

Dresdner Bank AG Niederlassung Luxemburg

By: _____
Name:
Title:

By: _____
Name:
Title:

Intesa Bank Ireland plc

By: _____
Name:
Title:

By: _____
Name:
Title:

InvestKredit Bank AG

By: _____
Name:
Title:

By: _____
Name:
Title:

Israel Discount Bank of New York

By: _____
Name:
Title:

By: _____
Name:
Title:

KfW IPEX-Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

Landesbank Sachsen Girozentrale

By: _____
Name:
Title:

By: _____
Name:
Title:

Persia International Bank plc

By: _____
Name:
Title:

By: _____
Name:
Title:

Sumitomo Mitsui Banking Corporation Europe Limited

By: _____
Name:
Title:

By: _____
Name:
Title:

WestLB AG

By: _____
Name:
Title:

By: _____
Name:
Title:

ZAO Banca Intesa

By: _____
Name:
Title:

By: _____
Name:
Title:

ZAO Citibank

By: _____
Name:
Title:

By: _____
Name:
Title:

The Agent

ING Bank N.V., London Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

DOC 27 Header

	Subsidiary	Country of Incorporation
1.	Astrakhan Mobile	Russian Federation
2.	BCTI	Turkmenistan
3.	Mar Mobile GSM	Russian Federation
4.	MSS	Russian Federation
5.	MTS Belarus	Belarus
6.	MTS Finance	Luxembourg
7.	MTS Kostroma	Russian Federation
8.	MTS-Capital	Russian Federation
9.	MTS LLP	Russian Federation
10.	MTS-Komi Republic	Russian Federation
11.	MTS-Tver	Russian Federation
12.	Novitel	Russian Federation
13.	Primtelefon	Russian Federation
14.	ReCom	Russian Federation
15.	Sibintertelecom	Russian Federation
16.	Sweet-Com	Russian Federation
17.	Telesot Alania	Russian Federation
18.	UMC	Ukraine
19.	Uzdunrobita	Uzbekistan
20.	Volgograd Mobile	Russian Federation

DOC 28 Header

I, Leonid Melamed, certify that:

1. I have reviewed this annual report on Form 20-F of Mobile TeleSystems OJSC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 30, 2006

/s/ Leonid Melamed
Leonid Melamed
Chief Executive Officer

DOC 29 Header

I, Vsevolod Rozanov, certify that:

1. I have reviewed this annual report on Form 20-F of Mobile TeleSystems OJSC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 30, 2006

/s/ Vsevolod Rozanov
Vsevolod Rozanov
Chief Financial Officer

DOC 30 Header

**CERTIFICATION PURSUANT TO
SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Mobile TeleSystems OJSC (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Annual Report on Form 20-F of the Company for the year ended December 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 30, 2006

/s/ Leonid Melamed

Leonid Melamed
Chief Executive Officer

DOC 31 Header

**CERTIFICATION PURSUANT TO
SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Mobile TeleSystems OJSC (the “Company”) hereby certifies, to such officer’s knowledge, that:

- (i) the accompanying Annual Report on Form 20-F of the Company for the year ended December 31, 2005 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 30, 2006

/s/ Vsevolod Rozanov

Vsevolod Rozanov
Chief Financial Officer
